



Folder E – DS500069 (recording number)

Note of Witness Evidence - Alison Bolsover (AB)

Victoria Brooks (VB), Emma Campbell Danesh (ECD)

9 January 2018

VB – Thank you for coming to see us.

AB - You're welcome.

VB – I thought I'd just go through what the purpose of the meeting is and everything and then we can get started. But we're recording it just so we can check what's said because it is quite difficult to get a note of everything that is said at the time so that's the reason for that.

VB – What we are wanting to do is get enough information to prepare what is called a proof of evidence which is sort of, almost like a draft version of a witness statement but it's got in it all of the bad as well as all of the good.

AB – Yes.

VB – So in a witness statement you would tend to perhaps focus more on the good but we want to know about the bad as well for this purpose.

AB – Right.

VB – Because we want to be able to advise the post office on what its case is and if there are any weaknesses in it.

AB – Yes.

VB – So if we ask you anything we would like to know about, any weaknesses and any processes that you're involved with as well.

AB – Yes.

VB – Because that's useful for what we've got to do.

VB – People try to be really helpful when we speak to them about things like this and tell us about things that perhaps they don't really know about within their own experience but really what we want to hear about is what you know.

AB – Yes.

VB – So if there is something that we should know about but you don't, it's not within your own knowledge, do tell us but make clear that we know that it isn't you ...

AB – Yes.

VB - ...so we may need to follow up with somebody else.

AB – Yes.

VB – and, if there are any documents that are relevant as we're going through that you think we should be looking at, for example documents, let us know so that we can get hold of those so that we can look at those in conjunction with what we're talking to you about.

AB – Yes.

VB – Once this is all done and we have a meeting we are going to do this proof of evidence document for you and then we're going to be sending that to you and you can then have a look at it to see whether we've got the right end of the stick or not...

AB – Yes.

VB – about what you've said, and sign it if you're happy or make any changes, and I think that's going to be more or less it.

AB – Yes.

VB – I do have a list of questions I wanted to ask you but I thought it would be quite good if we just started instructions about who we are and who you are.

AB – Yes.

VB – The who you are part is going to be relevant to what we wanted to ask you, so...

AB – Yes.

VB - ...so, as you know I'm Victoria Brooks, I'm a managing associate at Womble Bond Dickinson and I've been there for quite a long time but I've been working on Post Office stuff and formerly Royal Mail stuff for about 10 years or so, so I do have some experience in what happens in the world of the Post Office.

AB – Post Office, yes.

VB – and this is Emma.

ECD – So I'm a solicitor at Womble Bond Dickinson and I've been there three or four years now. I'm assisting Victoria [] (1 of 3 - 02:47.2) and I may have some questions as well about terminology that you use that is relevant Post Office.

AB – The hardest part of me is remembering what your name is – no, what the businesses name is.

AB - So I'm Alison Bolsover, I'm Senior Debt Recovery Manager within FSC, there's actually two of our grades so we manage parts, myself and Kate Wilson, we manage two areas. I've been with Post Office 32 years so I joined when I [] (1 of 3 - 03:17.8) as you can understand and the majority of my career has been within the finance centres is as now or by any other name it's gone by in the past.

VB – Ok.

AB – Predominantly managing debts but over the last 12 months going back to managing open item managed accounts that will potentially [] (1 of 03 - 3:41.5) on this case as well but I don't necessarily know all the nitty gritty, I manage the overall debt position etc at the branches.

VB – You say managed accounts – was it...

AB – So they are classed as open item managed accounts and its where Postmasters will get a transaction correction from, or a transaction acknowledgement from, say, things like Moneygram accounts, where we get a data-stream from Horizon and from clients we match them.

VB – Oh ok.

AB – So when we match them any discrepancies then will either be challenged or be sent to offices as a transaction correction.

VB – OK and that's what open item managed accounts are.

AB – Yes.

VB – so if we have got information from both the branch and from say, the bank, or...

AB – Yes, yes.

AB – So, whichever, it depends what stream of data we've got. I think, what I did bring in was sort of a structure chart, it was done in August but it's pretty much similar so it shows what product lines we've got and what teams so the terminology might not be right for you but it does show. This is sort of FSC structure, so Stuart is over both myself and Kay.

VB – Yes.

AB – But then I've got, like, cheque management, so cheques leaving branches going into processing, being processed and the file coming in to us to match against what the Postmasters say they've dispatched. So any differences there we would go on different systems to have a look at the cheque images and things like that so each team does something different.

VB – Ok.

AB – But it depends on the product line that we're working on.

VB – Ok.

AB – So my areas are predominantly debt, your former agent, your current agent, Camelot, debit cards, ATMs, missing cheques, bulk cheques which is your rent cheques, Moneygram and unpaid cheques. Also in my area I've got a Support Manager so he does a lot of coordination on accounts and things. From Kay Wilson's area she has got an account. I've also got accounts receivable within my area. She's got an accounts payable so all invoices being paid for goods and services, she's got the payout client, operator self-funded model so branches working with their own cash not with Post Office cash.

VB – Yes.

AB – We keep a live Apox system which is around your out-payments.

VB – What does Apox stand for?

AB – I don't know.

VB – No, that's fine.

AB – I can't remember but it's basically an out-payment system so if we write a postal order the postal order is monitored on that system, it says right, we've issued a postal order, the bank then says we've cashed it.

VB – Ok.

AB – I can't remember what the, it's out-payments but I can't remember what the, Automated Payment, I don't know – I'm only guessing.

VB – Ok, that's fine.

AB – She [] (1 of 3 - 07:15.2 all settlements to the client so we would settle anything up to sort of £250,000,000.00 per day settlement now she'd have all the exact figures. I do it on an overview.

ECD – Yes.

AB – You know, that's all I can say about that. She's got management of fleet accounts, so that's your tax disc issues to fleet customers...

VB – Yes.

AB - ...Giro change given which is basically near enough gone but that's another duty she's got. Also the automated payment streams so any bill payments on the counter, any enquiries that come in from either clients or via customer care would go into that team. So, if somebody says they have paid a bill but we'd not credited their account with enough, a query would go in and they'd query it with branches so branch could get a transaction correction from that. She also does stock accounting and cash REM accounting, so cash moving about the network and any personal banking deposits and your link payments. So that is probably a very eye-level overview...

VB – of FSC

AB - ... of FSC yeah. We've got around, exact number I don't know, around 230 general ledgers that we're managing.

VB – Wow.

AB – But within that there are multiple vendors so each product would have an ID feeding into a vendor to be able to pay from Kay's area.

VB – Ok.

VB – Can we take a copy of that?

AB – Yes, you can. I brought it in – [] (1 of 3 - 09:02.7) systems that we use are vast so this is another one. I've used it to just try and let the outside world know how much work goes in. So, for a different product area, we've also got, like, Santander in there – any mis-matches on Santander, but these are the systems that we depend on to investigate things so that might help – I don't know, you know.

VB – Great.

AB – If it comes to what exactly does this system do, I don't necessarily know. I know an overview but I don't know all the nitty gritty interfaces.

VB – That's fine, if we ask you and you don't know, you can tell us, that's fine.

AB – Yes, but I didn't know whether that sort of thing would...

VB – That's really helpful.

AB – ... a bit more...

VB – Thank you for that.

AB - ...[] (1 of 3 - 09:53.4) we've also got apprentices in and around four apprentices within an area but the majority of our staff are admin grades.

VB – Ok.

AB – So were in around the 70 – 70 odd 80 number.

VB – Ok.

AB – Depending seasonally on where we are.

VB – So is that affected by Christmas or...

AB – Its affected by different works so at the moment we've got a project that is trying to utilise our resource for expertise in...

VB – Ah ok.

AB – Yes, so we're putting resource into a project so we'll bring some other resource in...

VB – I see, that makes sense.

AB – ...and equally around high annual leave we have term-time workers so we may bring additional resource in then.

VB – Ok.

AB – So it would fluctuate slightly but we're at lowest numbers that we've ever had.

VB – Right ok, and is that a good thing or bad thing?

AB – I think it can be seen as both because when you lose your expertise, you know, it's sometimes hard to put all that knowledge through. But every time, I think it also gives people the opportunity to stand up. So I've always gone to you to ask you that question but now I do have to think for myself or look at things differently so I think there's two sides to that.

VB – Ok.

AB – Yes, it's pushing you but equally we are becoming more efficient and we are looking at leaner ways of working. So using robotics as well, so, their getting reports ready for us rather than individuals mocking up reports...

VB – Ok.

AB – ...we've got robots that extract the data and it's all there ready to post out to, like, our multiple partners to give them the information they need so it doesn't need somebody sat there to do it, so we have become more efficient.

VB – Ok, that's a really useful overview, those things, if we just cover in a bit more detail your background and have you came to work for POL, you know, if you've done any other jobs in the past, what jobs have you done while you've been here and I know you said you've been here for 32 years and it's all sort of finance things, but if you could...

AB – Yes, it's 33 this year. I've worked from an admin grade upwards.

VB – Yes.

AB – So, basically around this team working or working on change, and being seconded off to do things like recruitment so we've got a call centre downstairs, I did all the recruitment for that. So I have done slight variations on it, there's always been...

VB – So when you say the call centre, is that NBSC.

AB – Yes.

VB – Ok – just because we just saw Kendra so...

AB – Yes.

VB – ...So that ties that in. Ok.

AB – Yes, so they were in Dearn so when we decided that the call centres were going to be in Chesterfield, we did a mass recruitment.

VB – I see.

AB – I think there was around 119 staff brought in.

VB – Ok.

AB – So massive recruitment.

VB – and so when you first started, you started in a more admin role in the finance team or...

AB – It was nothing like now at all.

VB – Right.

AB – We dealt with pieces of paper so it was saving stamps, checking remittances from branches on P and A dockets, so real paper-based work. Fraudulent encashment – quite a variation – and then moving on to reconciliations, I gained promotion and went into a reconciliation team. I then took the line management in the reconciliation team and then in 1994 National Lottery...

VB – Oh yes.

AB - ...opened up.

VB – I remember that happening.

AB – 19th November 1994 first draw.

VB – I remember that.

AB – Not that I can remember dates – I became the Second Stage Manager over the Lottery team and the reconciliations team and then that was basically in the old building so that there was far more staff when this building was built we had both sides. So, I think we're talking and teams in London as well, around 850 people. So we were managing some big areas. Then I gained promotion in to a Senior Managers role and that's it really.

VB – and when was that approximately?

AB – Around 10 years ago. So I'd always been in middle-management for quite a good while. From 1994 but then taking a Senior Leaders role.

VB – and you would say that all of those roles were within FSC or whatever it was called at the time.

AB – Yes, products and branch accounting. Yes.

VB – Oh products and branch accounting, I remember that.

AB – Yes, well that's FSC.

VB – Oh ok. I didn't put two and two together.

AB – Yes.

VB - Ok. That's really interesting.

AB – But we moved from a real paper-based industry to branches going into Horizon so we used to manually input up to £20k cash accounts from branches sitting clear. So that was some of my account,

you know, making sure they were all bundled then you had to do phone copies if branches didn't send them in so totally different environment. More of a paper factory than...

VB – Yes.

AB – ...even now, if you go in there now it's still probably a paper factory.

VB – Yes.

AB – But nothing like what we had previously.

VB – and was that the first, have you ever worked anywhere other than the Post Office or...?

AB – Yes, I worked as a wages and stock clerk and buyer at a small electronics firm, but you know, tiny.

VB – Ok.

AB – from sort of leaving school until joining Post Office.

VB – Wow. But it must be really interesting to be able to look back and see how it's changed, particularly as it's such an institution.

AB – It is, and I don't think we realise, you don't realise there's people walked out of the door this time with 49 years' service. People come or used to come and stay but even now they would still, if they go the opportunity, a lot of them would stay.

VB – and have you always worked in Chesterfield or where are you based now, or...?

AB – I'm based in Chesterfield...

VB – Ok.

AB – ...I live in Chesterfield...

VB – Ok, that's fine.

AB – I had, like, three teams in London at one stage so I managed the reconciliation of the cheque processing when we did it in house before it was outsourced.

VB – Yes.

AB – So I used to go down to London three days a week. Always nightshift.

VB – Where you always sort of based in Chesterfield throughout the first years apart from that?

AB – Yes, based in Chesterfield but as I say, I travelled.

VB – Ok, ok. And which, you have already told us about Kay's team and it says on there as I can see the names of the other people within your team so I was going to ask you who you worked with, individuals and teams, so anything more you want to add to the chart or to explain further about that? Particularly...

AB – No...

VB – ...said that you...

AB – ...let me just...

VB – ...that you sort of do rather than the bit that Kay does.

AB – Right I'll just change mine round because we've had a change round, that lady doesn't work for us, she works in this team there and that is Andrea Green and that lady who I think you're seeing tomorrow...

VB – Yes.

AB – ...is moving to risk and compliance shortly, but she manages agents, former agents.

VB – That's Michelle Stevens [] (1 of 3 - 18:29.3).

AB – and, sorry...

VB – That's alright.

AB – ...Dawn Wall is taking over that area.

VB – Ok, that's really helpful [] (1 of 3 - 18:39.0) (very quiet dictation

AB – Sarah.

VB – So...

AB – So, we've had a few move arounds as such, but...

VB – Is it right then that the five, I think it is, names on there underneath your name, are those the people you work with the most?

AB – Yes, they're my direct reports as such, so I've got Michelle Stevens, Trisha Mather, Andrea Green, Dawn Phillips, Dawn Wall and Paul Smith. So they're all my Team Leaders as such or the stand-alone Managers that work directly to me.

VB – What other teams, other than the people within your team, do you work with and there's Kay's team, are there other teams that you work with a lot?

AB – Within the teams themselves we work with the network team, the contract managers,

VB – Yes.

AB – So, you've John Breeden's area.

VB – Yes.

AB – From a contracts point of view or a deduction from remuneration for current agents, we'd work with the security team as and when required gaining information to enable us to either collect debt or move forward on debt depending if they were considering criminal prosecution or not or whether there was Police involvement etc so we'd hold off from a civil lit point of view...

VB – Ok.

AB – ...if they were. We work with the NBSC so if things like scripting, we are checking or teams will check on what scriptings they've got on their products to try and ensure we are giving right advice out.

VB – Sorry, if somebody rang NBSC and it was something that related to your area, you would have had a role in checking that answers were...

AB – We try to, so since we've come to work in Chesterfield I think we've tried to marry up a lot more than probably when they were at Dearn. So, we have done some exercises on looking at different scripts, you know, are we giving right advice out, and equally they will come to us for advice if they've got

a customer on and they want a refund or something or can we see anything. So we can look at different systems to see transactions that have gone through.

VB – Ok.

AB – So we work with different teams within Chesterfield and out of Chesterfield.

VB – I am going to ask you if you are unsure of a matter question, but, a bit more about what you do, you manage those people but what do you actually do?

AB – I don't know why [] (1 of 3 - 21:23.7). So, from a team point of view, I'm looking for where we are from a processing point of view, a staffing point of view, budgeting, ensuring that we're riding in on budget, losses are being managed, doing some control checks on accounts – monthly – checks so things like the debt reports are pulled off, the ART and receivables, who owes us money, why do they owe us money, so me questioning, you know, what have we done about it. Yesterday morning somebody owed us £2.5m, why has it not come in. I got [] (1 of 3 - 22:16.9) to be banked tomorrow, do you know what I mean? Trying to keep monitoring and keep cash flow really that the debts that we've got are paid. From a former agent's point of view, I try to monitor cases and are there from an advisory so Michelle as a Team Leader would be guiding a team through but I do do spot checking on cases. Equally working with legal and Roderick to try and push cases through to where are we going from here?

VB – Ok.

AB – You know, are we going to push on this one or not.

VB – Yes.

AB – Making decisions based on should we progress or not.

VB – Strategic?

AB – Yes, I'd say so, yes. I think its considering, sometimes on an individual basis. Is it cost effective to push this forward and what are we going to get and how much is it going to cost us to do that.

VB – Ok.

AB – So whilst the team member just wants to get the money in...

VB – Yes.

AB - ...I think we do need to consider impact, wider impact, costs etc and impact on the business.

VB – I'm going to be asking some more specific questions about that and remember them being in my list but that's really helpful.

AB – From a team point of view, say from the open items, the current agents, it is a manged process so we do a done in process so I'm wanting to know what sort of level of bad debt we've got.

VB – So, standing processes that [] is that [] or...(1 of 3 - 24:02.0)

AB – That's the letters going out to branches to say you owe us this money, you've settled these amounts centrally, on to your customer account so how are you proposing now to pay?

VB – Yes.

AB – So we've got seven days and we've got a set process for getting a letter out, system generated, then if we've not had a response in seven days, another letter going out then we get on the phones – up to four phone calls – to say, you know, how are you proposing, is there a problem here, you know, how are we going to take this money, are you going to pay it, are we going to deduct it. So, from a team point

of view, if there's any issues within there, I would be escalating route in there but with both formers and current, and wanting to know the level of bad debt. So what I would provide for looking at what's going up, what's coming in, you know, what are we getting in, what are we recovering...

VB – and then do you report that so that goes into the accounts Post Office []? (1 of 3 - 25.12.5)

AB – Yeah. We do a key performance indicator so we know what levels are a debt or outstanding items we've got. What sort of ages they are, how many enquiries we have in, and then we do a summary from a provisioning point of view so we provide for bad debt that, on current agents that we've got no repayment plans on. So we used to provide for everything over 60 days but we've recently changed to a, if Postmasters are paying for this, then we have got an end in sight. But, if its not on a repayment plan, then provision is made for it.

VB – Ok.

AB – So that would hit our P and L. So any provisions that are done.

VB – Ok. That's really helpful. There's a lot involved with that.

AB – I think it's just juggling numbers and keeping an eye on numbers and what are we doing, so, I think it is more around strategically reviewing what you've done here and pushing teams in to how are you going to get a resolution on this.

VB – Yes.

AB – You know, if you've come to the end of the investigation, what's your next course of action. Rather than just leaving it to get older, what are we going to do about it. So, we will have discussions and especially as Team Leaders have moved round, you lose some of your experience.

VB – So then you can provide that for them.

AB – Yes, that support and, well I'm hoping, that's how I support them through. I mean we have had issues on teams. We've had issues with systems, if the system goes down then, you know, we're losing a lot of hours out here and a risk of going into a backlog position.

VB – Yes.

AB – We're issuing between sort of 7500 and 12000 TCs a week. It is, there's quite a lot in there. Some are automatic so like your Lottery TCs, your stock TCs, we do them by upload.

VB – Yes.

AB – So, they go out on mass.

VB – and they go out via Horizon?

AB – They go into Horizon.

VB – Go into Horizon.

AB – Yes, so they go through the system, so like your Lottery, your Lottery online game, we get that information from the client, it then goes through the systems and we push out to branches and tell them what they've taken for Lottery online. We've always had probably a lot of accounting issues with the Lottery because a lot of the Lottery terminals on the retail side of the counter, so they might pull a slip off and think, you know, I've done £100 worth of business but that's it. The Post side shuts but the retail carries on. So they carry on trading and the monies not necessarily being transferred over so that automatically gives us a difference between what Camelot's reporting, say, if the office shuts at 6:00 but your retail side carries on until 10:00 – this trade happened within that time and I think that's where

sometimes there has been problems. The retail guys have not necessarily handed the money over and its gone into the retail till or wherever. Or pockets.

VB – Yes.

AB – So it's open because it's not controlled until we get that TA where now we get a TA previously, they were waiting for us to inform them.

VB – Yes.

AB – But now they get it daily.

VB – TA is a transaction..... (1 of 3 - 29:04)

AB – Transaction acknowledgement.

VB – Acknowledgement? Right.

AB – So we're saying this is what we are wanting you to acknowledge, that you have actually traded.

VB – Ok. So you say to them, you've done £100 on the Lottery, please confirm that's correct.

AB – Yes. And they update it.

VB – and that's a button that they push on Horizon [] (1 of 3 - 29:22.2).

AB – Yes.

VB – Ok.

AB – Which makes it easier because if there's anomalies then at that point in time then they can do something about it and we do have challenges where they say we've not done that business but in general terms if we go back to Camelot, they can prove all the transactions that have gone through. What time they've gone through and everything else.

VB – Ok and would you then provide that evidence to the branch.

AB – If we needed to, we would try not to go back to Camelot but we have had occasions where we have done, but we usually lay out exactly what would be taken but its taken the pain away from evidence gathering by us doing the transaction acknowledgement and pushing it down the line.

VB – Yes, because it can only be one day that they can be out presumably what should be...

AB – Unless we've got a system issue and the TAs have not gone out but potentially only two days. They've got a 48 hour, I believe 48 hour...

VB – How long have they been doing TAs for that for, do you know?

AB – Not, I can't remember exactly but it's a good few years now.

VB – Ok, but not since Lottery was introduced

AB – Not since it started No.

VB – Do you know if it was there since they introduced Horizon or...

AB – No.

VB – ...so it was a post Horizon thing?

AB – Yes.

VB – Ok.

AB – But I don't know exactly when because I wasn't managing that. There were six of us actually, six Senior Managers within FSC and we're now down to two.

VB – Ah ok.

AB – So we've downsized.

VB – You've got more and more areas.

AB – Yes.

VB – Yes. Ok

AB – I couldn't tell you exactly.

VB – No, that's fine. It's quite interesting,

AB - We are looking for that for things like ATMs, so there's always issues on balancing ATMs because of cut off times, the cut off time for the banks, when the Postmaster actually cuts off has been an issue in the past.

VB – Right.

AB – But we're looking at, again, doing pushing data back to branches.

VB – So you're looking at doing a process like TAs for ATMs? That isn't in place yet?

AB – It's not in place yet, no.

VB – Ok, that sounds really positive stuff as well. It makes sense to go back to a few more basics and ask you, I know there's information that you will have provided before, or someone in your team will have provided before, but we have to sort of...

AB – No, it's alright.

VB - ...the basics of everything as well.

AB – I live and breathe it don't I, you know, I do understand that.

VB – So it's sort of asking, what, if there's a shortfall in branch, how do you know about it? What role does FSC play in it? You know, very basically...

AB – When a branch balances, if the cash, if they've got a deficiency or a surplus, they should then declare it as a branch, a branch discrepancy.

VB – Yes.

AB – So, when they balance that account they have the opportunity, if it's over £150 to settle it centrally so they can then sort of put it aside to try and work out where the problem is and during balancing they can hold it in local suspense until that branch trading time. At that point they need to make a declaration.

VB – Ok.

AB – So, I suppose it's their choice whether they declare it correctly or not. How do we know? We don't always know. So, if you've got £100 loss, you might decide to inflate your figures. I can't tell that you're

doing that we have a level of intelligence happening and from a security point of view I don't know what checks we do do but they are checking branches. But, from FSC point of view, we would only know if they settle the amount centrally.

VB – Right.

AB – If they don't settle it centrally, they do have the opportunity to ring NBSC so if they know, so if they settle in centrally because they're waiting for a TC, they know they've done something wrong and they're waiting for something. They can tell us at that point. When we send them that letter out, they can get in touch with us and say I'm waiting for a TC for X and we would block the debt. So we wouldn't do any chasing until the investigation was concluded. So have we got a TC so the current agent's team would talk to the Lottery team and say have you got a TC for this branch, can you get it out to them. They would only have the option if they settle the debt centrally, they would have the option of settling the credit that we would send them out.

VB – Ok.

AB – Centrally.

VB – Ok. So that would bring the accounts back in balance.

AB – If it's a branch discrepancy, and they have not got a clue where it is, they can be talked through the process of how to check through NBSC.

VB – Yes.

AB – But we wouldn't necessarily know where to look for a problem.

VB – So what would you do if, say, its referred on to you from NBSC, and they're saying...

AB – [] (1 of 3 - 35:11..2) wouldn't be?

VB – It wouldn't be.

AB – Not just for a general branch discrep, unless they've got an idea of where...

VB - Ok.

AB – where it is.

VB – Ok. So you get the, you get the shortfalls if its settled centrally.

AB – If in branch, they settle, if they settle it...

VB – Yes.

AB – ...to us, then we see what the level of debt is.

VB – Ok and so then you've got that, then what would you do then?

AB – So if they tell us ...

VB - ...that they've got a loss...

AB - ...the loss we'd ask them to repay it and how are they going to repay it.

VB – Ok.

AB – So what are their proposals for repayment.

VB – And is that then the process that you were describing earlier where they have a letter and a certain number of phone calls?

AB – Yes and then we would look if we get no responses from them we would look at deducting it from their pay and we would tell them we were deducting it from the pay. From a contractual point of view, we go on all losses should be paid immediately. We do give instalment plans so if there is a level of hardship and they say they cannot pay it but they will paid it in three months instalments or six months, then we would look at it a repayment plan.

VB – And is that deductions from their remuneration?

AB – Yes. We would never look to take anything over 25% of their remuneration so we would know what level of remuneration they were on and work out what the repayments should be from that.

VB – And who makes the decision about that because there must be an element of discretion?

AB – There is and a team may make the decisions. Equally, we will have line authority. We were actually reviewing the process again because we used anything over £1,000 used to go out to Contract's Managers for them to talk to an individual doing exactly the same as we are doing, you know, you are under contract to pay this now are we going to get this in. If there is a flat refusal to pay, I am not paying that, we would refer it back into contract. If they are amenable to our proposal, then we would take that forward.

VB – Ok. So if it is more of a time to pay as opposed to an it is not my liability.

AB – Yes. We would look for, all payments should be within 12 months. If anything after that then again there is a level of concurrence that we are wanting to fulfil.

VB – So would there ever be a situation where you would get information from a branch that would then cause you suspicions that you would then involve other teams and would it be more that the other teams would involve you when they had suspicions?

AB – No we do not involve teams. We would, if we see suspicious patterns.

VB – What would they be?

AB – We have just had a case where unpaid cheques were coming back so we were getting cheques back and there were some high values in here and I think around the £200,000 mark and they were encashing personal cheques but putting them through as cash so basically, they were putting a deposit in a bank account as cash but submitting a cheque, the cheque is bouncing.

VB – Oh I see to give them extra time.

AB – Individuals taking the money out before we got the value of the cheque.

VB – Before you had got the value of the cheque?

AB – Yes.

VB – And so the value of £200,000 is how much he had done that for? (2 of 3 - 03:07.9)

AB – There is no limit on what he can deposit. So that opens....

VB – So that is going to flag with you then to be involved.

AB – We do get a pre warning from banks that we have got unpaid items so we have got so many of these and we pushed it into security too.

VB – And so was that the Sub-Postmaster or whoever like the boss operating the branch doing it or was it the branch accepting cheques from somebody else?

AB – The branch was accepting cheques for payment from his mate who ran a car dealership. Who they allegedly working for now since she has been suspended.

VB – Yes I am not surprised. So you then alerted security and they go in and do an audit.

AB – Yes so they send an auditor in with an investigator because there is suspicious activity there. So we would have scenarios like that.

VB – So you would have a role in that sort of thing as well.

AB – If we see it, we do not always see it, you know, it is unpaid items or something that comes back into us but they can be manipulating accounts and it is looking for patterns and teams are not always looking for patterns but sometimes branches do stick in the mind and say there is something wrong here but we pass it to the fraud analysis team to factor in downstairs can have its area and say can you have a look at this branch – there is something just not quite right.

VB – So that is what you would do if you want that discussion.

AB – They would look at branch, look at information and make a judgment call on are we having an audit, what level of audit are we having, is it a full check and potentially if it is a high value been put out in audit as a funds at risk so we would go away on it with a larger team as such and dependent on value if there is fraudulent activity then did they want an investigator as well but their whole process you can talk to Kim about. I am sure you will check with Kim.

VB – Yes we will do. Let me think. What shall I ask now? We have dabbled in lots of different things so it may not follow all that logically but I think what you have just been describing does help with a question I do have here which is how does FSC differ from audit NBSC and securities. I think we have covered that off quite nicely really with what you have already said so that has really helped.

AB – Yes we can never see the money. We can see what they are declaring, we can see what their inputting but we can never see what cash is in the till. So until an audit goes out nobody knows whether that branch is... Are they having problems accounting or is there an issue with funds so you would never see that.

VB – That is interesting. That is a really interesting way of putting it. I like that. That is helpful.

AB – And what they are inputting it is what Postmasters are inputting. We are not inputting it. Their cash declarations are their cash declarations so if you balance and you are £100 adrift or £1,000 adrift but you decide not to declare that to us you are falsifying your accounts there and in effect, £1,000 one week. If you have got a member of staff with sticky fingers, that £1,000 one week becomes £1,500 the next because they are not getting caught but as soon as they start hiding it we cannot see it. We cannot see what somebody else is doing in their office and I think that is what is hard.

VB – Sure. No problem. I think in my note where we, if I can find it quickly it covers that. Well we will stick to the audit because there are so many questions. Could you explain for us, a very [] (2 of 3 - 07:26.) question, but what is a transaction correction.

AB – So a transaction correction comes about when we have got differences on the accounts or we have been made aware of differences from a settlement point of view. So we would adjust our accounts, say we have got a misbalance on the general ledger account. We would perform a transaction that would issue a debit or a credit to branch. So we issue both. So we give money back or we request money. So it is both ways.

VB – So there are both debits and credits done. Ok.

AB – And they basically go into the branch for them to accept it and make good or settle it centrally so they are either putting the cash in so then put our books in balance.

VB – Ok. So they get it via Horizon, they have to click a button one way or the other and then physically do something.

AB – They click the button to say, if they click the button that says make good cash, they should then put the cash in but if they do not, when they come to balancing next time they will be in deficit again.

VB – Ok. I see.

AB – So that is how losses can start the rolled so they accept they have made the error but they do not want to do anything about it so next period when they balance and they classify it as a rolling loss so they accept things but they roll it to next period and next period so we will send auditors out sometimes when we know they are rolling losses.

VB – So in terms of the documents that there are in relation to TCs, is it electronic TT documents. What documentation is there around this?

AB – Its transaction – it is an electronic message with a narrative on it so the team will put a narrative to say you have entered £50 on Horizon and we have only had one cheque for £10..

VB – I see

AB - ...and if needs be, they can send an image in, you know, we can post evidence out as well if we have got additional evidence. I know I have been asked in the past well what evidence have you got of this missing cheque and we have not got any its missing. You know what I mean? People expect evidence of things all the time but there is not always evidence.

VB – And has that changed over time what you have been able to provide like the imaging – that sounds quite good but is that quite a recent thing?

AB – No it goes back years that kind of imaging as long as I can remember we can easily check.

VB – Ok that is good. So when you receive the cheques and presumably they are scanned somehow and then you are able to send the image back saying look this does only say £10 not £50.

AB – Yes.

VB – Ok. That is really good.

AB – So you can see where there is casting errors and things like that on [] (2 of 3 - 10:37.6) so you batch control by vouchers that go in they can have transposed figures so that you know it can be used to do check listings and things like that that we have probably copies of or they send us copies of and we would say this cheque is only for £10 not £100.

VB – I see. So is the batch control voucher what you would send with a bunch of cheques?

AB – That is what [] (2 of 3 - 11:01.1) the branch would. Yes.

VB – And then somebody here would receive that?

AB – It is imaged.

VB – Ah ok.

AB – So it goes into processing, the batch control voucher is there with the value on it and the subsequent cheque with the value.

VB – And then somebody would check that they matched up or would that be done electronically now?

AB – It is all done electronically.

VB – That is very clever.

AB – So we get cleared funds on those items as well but if a cheque became unpaid, the branch would not be held liable as long as they have conformed with the process so if they have taken a cheque but we know what product it is for, so if you paid your BT bill and it has bounced we would not go back to the Postmaster for that bill. We would go back to BT to get your bill reinstated and the money back from the client.

VB – Ah ok.

AB – So we would not go back to branches for things like that.

VB – It would only be if, for example, I had not shown my cheque guarantee card. I do not know if that is a breach but that sort of thing.

AB – If they have not put the product on the back then we would go back to them but before we went back to them we would look at what they transacted that day if that value is there, so if you had paid £55.20 we could see that potentially see that transaction we could trace you back if you had paid another bill with us.

VB – So then even though they have not done it correctly you would still be able to get it back via BT?

AB – We would try that. So we would not automatically go back but we would, you know, the liability would still be there if we cannot get funds back. So if you have never paid a bill with us, we would not necessarily be able to find your details.

VB – No. I do not think I ever have.

AB – And never will.

AB - I wrote a cheque actually today and I have looked in the cheque book and it is two I have written this year.

VB – We do not write them any more do you?

AB – One for a uniform at school because they did not check a payment and then my stepdaughter I always send her a cheque for her birthday and that is the only cheques I ever write. You do not do it do you?

ECD – With online banking and things.

AB – You just do not need it. Give me your account details and I will transfer it.

VB – So in terms of the contact FSC have directly with Sub-Postmasters is it just limited to those letters and phone calls or chasing up debts?

AB – Or talking to them about an open item that we have got. You know Postmasters sometimes already know they are going to get a transaction [] (2 of 3 - 13:50) or they do ring NBSC and say I know I have done it wrong so they would get in touch and we would talk to them.

VB – Ok. So you could then help to tell them if they saying I think I am going to get a TC for this you could then say yes you are.

AB – Yes let me have look. We can have a look on the account.

VB – So what system do you use to find that confirmation?

AB – Pulsap.

VB – Pulsap. Ok.

AB – So we have also got access to like your credence information so we can see it by transaction but what they are wanting to know is are we going to give them some money back. You know if they have panicked all night because they do not balance. As long as we have interface, the client file might be full we could see whether there are open [] (2 of 3 - 14:39) on their account.

VB – Ok. What is credence?

AB – That gives us where Pulsap gives a summary so that day you have done that many transactions you could basically, in credence, you could see all, every customer's session. So you could see what they have done within that session.

VB – And is that organised by branch?

AB – Yes.

VB – It would make sense for it to be but...

AB – Yes you can pull it off in whatever credence information you can pull off in whatever you want so products by, you know, there is different reports within it so if you wanted to know what lottery branches have transacted you could get that sort of information but if you want to know specifically about a branch you drill into that branch.

VB – That sounds amazingly helpful.

AB – Potentially that day or whatever but you know if you can pinpoint it to a day.

VB – I have covered off I think now or you have covered off more accurately the sort of section about FSC and what it does and the contact it has with Postmasters. There have been a lot of questions I have not asked but I expect the answer is no but does FSC ever visit branches to investigate shortfalls.

AB – No.

VB – No. I hope they do not.

AB – We have not got enough budget for that. We do ring branches. We are doing a session at the moment where we know Postmasters are not always doing the Moneygram transaction correctly so we are trying to advise them this is why you got it wrong. You know it is we can tell them in a narrative but we are trying to get in touch with them to say you must cancel that transaction as well as reverse it. So there are two stages to a transaction and they have had numerous literature going out and memos using different MBS's, different you know modes of communication but it seems to work when you are talking.

VB – And what is Moneygram?

AB – So that is your wiring of money to various places so if you want to send money to your sister in Germany you can wire it.

VB – I see

AB - So it is like your Western Union etc

VB – So that is the Post Office's version of that.

AB – So we do it using our supplier which is Moneygram.

VB – Ok. That makes sense. What I wanted to ask you about next was accounting but I am not sure the extent to which the questions are going to be relevant to you so if they are not please feel free to say. What I wanted to ask about was how the Sub-postmaster records their accounts pre Horizon, after the [] (2 of 3 - 17:44) of Horizon and after NT but I suppose from your point of view FSC is there anything you can say about that? What impact has the different way they have done their accounts had on what you do or maybe that is not a question for you.

AB – From a resourcing point of view it is either massive you know from a streamlining point of view but for the branch point of view I do not know. You know I have not been sat in branch balancing the cash account and balancing with Horizon or anything else so....

VB – But from your point of view it has gone from paper based which required lots of people before Horizon to Horizon being electronic and therefore being able to streamline it more and you require fewer people too.

AB – Ultimately fewer people. Yes. I do not think they find it easier to see where they have got a problem. That would be what I always get the opinion of. You have got Postmasters that are actually whizzes and know that system and can spot where they have got their errors and where the problems are or if there is an issue with a product and then you have got others that do not you know or ones that throw the keys in and say I cannot do it. You know that is what we have heard – we have heard you know numerous times. Putting the fence up that they were only ever a cleaner and that is no detriment to cleaners but they have got no skills, no computer skills, nothing.

VB – Yes. And that is you hear about that because of the cases that you do against the former agents ultimately may end up in court.

AB – I have just heard a conversation in the room that they were on the phone and they could not understand that we were asking to speak to the Postmaster.

VB – Oh dear.

AB – So that does cause us problems clarifying is that X post office. Yes. Can I speak to Mr X. No and they could not even

VB – That is quite worrying.

AB – Ring back after 6 o'clock. Ring back after 6 he's not here. So the level of English was not there.

VB – Yes and that must create problems when they are then trying systems. I do not know.

AB – And I think that worries me and that probably sounds unfair but that does worry me that what level of training and understanding have they got on that system.

VB – Yes because I mean their system is in English.

AB – Yeah.

VB – Yeah that is worrying to hear about but I am not going to say I'm surprised to hear it either.

AB – And you know it is when we are trying to explain that things are going wrong are we getting that message over? One miss key can credit, I think what does or can happen is if you give me £100 to deposit and I miss key it as £1,000 you have got that money. You are walking away one happy customer. You have got a receipt and I do not know that I have done it. I have been chatting away nicely to you and off you toddle. Lottery win.

VB – So that relies on my honesty in coming back or your diligence in remembering.

AB – My diligence I should have checked that receipt.

VB – Well your subsequent diligence I suppose.

AB – But I can have given you £900 and that will be a loss but that is seen as a Horizon issue but it is you have pressed one too many noughts.

VB – It is a miss key. It is a user error. It is not Horizon doing something wrong on its own. And do you deal with that sort of thing a lot or would you not know that was what you are dealing with because they would not know why.

AB – If they report it to us they do not know. If they have got that customer there and they just put it through and said oh I have put it through wrong, they cannot reverse it [(2 of 3 - 22:15)] transaction so they would need to ring NBSC, report it, get a number. They would then have to put that transaction through correctly so £100 through and we would then go for the £1,000 but we have got to have followed, the steps have got to have kept the receipt. It is no good you walking off with a receipt because it is your word against theirs. You know – no I put £1,000 in. They cannot reverse that transaction but they have got to do the steps to report it in for us to try and get the money back from the bank.

VB – And to then contact the bank.

AB – The bank would have to come to you to say this has happened. Are you authorising it coming out of your account because it has already gone in.

VB – And presumably the bank will only go so far to achieve that when the customer is saying no no that was my money.

AB – That was my money and I spent it.

VB – Yes even that was my money and I have spent it is quite difficult to get it back isn't it.

AB – Or that was not my money and I have spent it but they it is then their relationship with their customer that they are worried about so we do not always get the money back then.

VB – Yes and then that would then be a loss to the branch.

AB – Yes.

VB – Ok and that is one of the things that then they can either settle centrally or have deductions from their remuneration.

AB – Yeah.

VB – Okay

AB - So that £900 would be a debt. If they did not notice it and didn't report it in it would form part of the branch discrepancy but unless they realise one of their clerks has put it through or there could be collusion.

VB – Yes that must...

AB – I'll put that through as £1,000 they split it £450.00 each

VB – Yeah

AB – and that can happen

VB – Yeah and you can spot that presumably if it happens several times but...

AB – Only if a Postmaster tells us.

VB – Yes I like this perspective of only if a Postmaster tells us because I mean that is very key – you can only have the information that you are given and you cannot know what is happening because you are not there.

AB – And I think that, I know like because this case is you know [(2 of 3 - 24:23)] that has been going on for years and you know you just get the feelings and you hear things via different investigations that have gone on and you know it is potentially a family member that has took it but you know it will never come out.

VB – Or some of the ones, just for your interest, that I have looked at I dealt with at the time when it happened and there was a story at the time that was very clear about what had happened to the money and then when they had come through Sparrow that story is not there anymore and it has disappeared so you are right.

AB – That person probably on the TV.

VB – Potentially. Potentially I do not know but...

AB – In a coffee shop. In the sun.

VB – Yes but I do not know which one that is.

AB – Yes.

VB – Oh dear. Do you notice when so I remember it went monthly to weekly balancing do you get a spike in work around that time or?

AB – No it does not make any difference other than your current agents, they work on a branch trading so weekly branch trading so you will be on branch trading A so you are good this Monday, the other next Monday. Do you know what I mean? It is they are staffed up to deal with that so it does not make a difference from an issue [] (2 of 3 - 26:09) point of view how the branch trading. The only team it really impacts is current agents.

VB – Ok. Ok. This sort of goes to the question that we were just discussing actually but you can only go on the information that you were given from the branches so if you do see something that looks suspicious is there any other examples of what might look suspicious. You have given us a few but...

AB – Just if we are constantly issuing TCs to a branch so and we look at like we have a maintained error limit so it is not worth us issuing pennies out or a fiver out but we would watch for what we classify as the little and often club. Are they producing maintained errors on different product lines and taking money.

VB – And so they might cheekily be taking a fiver on everything all the time.

AB – Yes but we have not got an issue with it so monthly we look at branches to see what the levels are during the year and it is up and down changeable.

VB – Ok that is interesting.

AB – If there are any spikes.

VB – Yes that is interesting. We will for your reassurance be very careful about what things we include in any documents that are going to be public.....

AB –because about [] (2 of 3 - 27:38)

VB - because then people might think oh that is a good idea so we are wise to the fact that we need to be careful about that sort of thing so you need not worry about telling us.

AB – And I think they have always said that we issue them with the debits and we keep the credits and that is not true either. We issue both and we have got evidence of what we have issued you know over the years so every TC that we send to branches we should have some sort of level or record that even if it is in summary that these TC's went out on this month to this branch.

VB – And has it changed over the time the level of information that is provided with TC's or has it always been..... where are the notices of when that was.

AB – Well we went on to Pulsap in 2007 so, no 2005 it arrived – I forgot which year and I think probably our evidence might have been lacking but I think now we prove it you know we have got staff that

understand the product lines and sometimes you can explain it until you are blue in the face and they will not accept that they have made an error but the error is there. That is what they have put in Horizon.

VB – So how it was before you had Pulsap, would you say that that was a potential weakness in evidence.

AB – Before Pulsap they could just ignore the error letters. There was a piece of paper and I know I had a bright idea send your own notices out on yellow paper so they do not mislay them and they said yes but do you not think that would make them easier to pull them out and put it in the bin because it is yellow. We know what that is. So we got no, there was no way of making them as such bring an error notice to account.

VB – Right.

AB – Where by using Horizon they have got to perform branch trading and they have got to accept the TC's before they can roll the branch trading.

VB – Ok so were error notices just pre-Horizon then or was it just pre-Pulsap.

AB – Pre-Horizon.

VB – Pre-Horizon. Ok. Yes that makes sense because then it would have been a paper based system. Ok.

AB – So we used to issue them a piece of paper to claim it on the cash account.

VB – I did have a case of error notices back in the dim and distant past so ok.

AB – I might have a copy of an old cash account actually. A laminated copy of a cash account.

VB – I can put my hands on one from one of my files as well because you used to have to physically sign did they whereas now on Horizon they click a button do they?

AB – Yeah

VB - What does that, what are they saying when they, they are saying it is balanced I suppose.

AB – I do not know what the declaration actually says because we do not get anything and as I said, in reality from FSC's point of view, it makes no different whether they balance other than accepting the TC's.

VB – Yes of course.

AB – And settling their own [] (2 of 3 - 31:31) so I think the fraud analysis team do look to branch standards look if Postmasters are not rolling the branch trading but we would have potentially to see that and they will want to know why they did not roll, have a temporary closed or what. But it does not have a big impact on FSC.

VB – I will just have a look through these questions to see if any of these are ones that are likely to be relevant to you. It is all to do with branch trading things these next ones so I do not think much and correct me if I am wrong that that is particularly relevant to you. No. [] (2 of 3 - 31:49)

AB – Other than us getting a copy in from, well we get an audit report actually, for a former if we have done an audit and we have suspended.

VB – So if somebody has been suspended and there has been an audit you will get a copy of the branch trading statement.

AB – If they have been terminated we would get a copy of the audit report and anything else that could get our hands on but not always.

VB – And for a former I suppose we have not talked about them so much what is your role to try and get the money back from them based on the audit report.

AB – Well it is not always the audit report that is the debt it can be that they have settled amounts centrally and then there is missin money at the end of the audit so it is how are they going to repay so we would apply for a repayment plan and would look at trying to secure debt on property.

VB – And do you do all of those things internally?

AB – We do with the help of Beachcroft. The majority of time Beachcroft. (whisper – Beachcroft are more expensive)

VB – So at what point does it get sent out to be dealt with externally because there is a lot, I am sure, that you must do internally because that is obviously cheaper than sending it out to our wonderful [] (2 of 3 - 33:18)

AB – We would do a normal done in process. So we would send them first letter. We were doing first letter, second letter. We now do fast tracking letters so if we get notification of a high value loss, we get a letter out within 24 hours of audit saying how do you propose to pay this. Not that they do....

VB – No

AB - ...but we would then follow that up with a second letter and then look to a letter before action and we do some tracing. We would want to know are they still in the country as well because sometimes they are not and do they own property so have we got anything to secure it against. Is it worth us going for judgment and paying for judgment.

VB – And so you do all of that but in-house and then it is at the point where you think it is probably worth pursuing that it then goes out to somebody.

AB – We would get an LBA done. We would do what looks like an LBA internally. A third letter this is your warning before we take it to legal action and then we would do a formal LBA if we think it is worth it...

VB – Ok

AB -and a lot of the time it is worth it just sending some form of solicitor's letter out will generate a response and that is relatively low expenditure for us.

VB – A low cost. Yes. Ok. Ok. And what evidence, if any, do you send with those letters. Is there anything standard or is it just a letter saying you owe this, pay it.

AB – A letter with a statement saying this is what they owe and we can then back it up if previously it had the error notice we can get copies of the TC's. You have got me [] (2 of 3 - 35:12)

VB – Sorry sorry

AB - so we could give them a copy of that which they have accepted at that point in time and if they have closed prior to us being able to issue a transaction correction it is called the TP6 process so it is a manual process of moving the debt from one ledger to another but the teams back it up with whatever evidence they have got so it would be a paper base that is going to the sleeve of the file so we would say this has been transferred on to your account but we could send them evidence of that. If they ask for it we send it to them.

VB – Ok. Ok.

AB – You know if they challenge they don't owe this money – we ask them why they don't owe it. Have they got all the evidence to say you know that was incorrect.

VB – Yeah [pause]. Erm well we have discussed this already but I suppose if you could set out for us what is settle it centrally just so that we've got our [noddy] erm thing to put in our document about what it means that would be really helpful.

AB – In reality it's allowing a person asking to defer a payment, immediate payment and have the debt on account.

VB – Yep

MS – So it sits on one of their customer accounts but the problem is they think they've pressed that one and it's disappeared.

VB – Yep

AB – Erm until so we ring them. But from doing the branch trading on a Wednesday we will be out to him the following Monday. That's the letters go out.

ECD – And if they don't settle it centrally you can't continue trading is that right?

AB – No they can because they look like they're making it good.

ECD – Ok

AB – So if they get a TC or if they get a branch discrepancy they can say they are making that value good.

VB – Yeah

ECD – And that means putting the money into the till.

AB – Till, yes. And that's the bit they omit to do.

ECD - Right

AB – So if they forget to put it in the till the following month they've still got the same problem.

VB – Right – I'd say

AB – They create themselves a loss. So if you accept a TC that says you owe me £500 I accept I owe you £500, I accept it. They can say I want to settle it centrally, it's only gone away in the interim until we ring them to collect it. Or they can say 'I'm gonna make that good' and put the cash in.

ECD – Yeah

AB – So the two scenarios are, put the cash in or they don't put the cash in, but when they balance next time you will be £500 adrift.

VB – Ok

AB – And any other discrepancies that you've made. So a discrepancy in branch you could have, you could have given somebody the wrong change.

VB – Hmm

AB – So you're not gonna balance, you know, you could give somebody change for a £20 note instead of a fiver or a tenner..

VB – Yeah, and again that's not something that you can know that they've done.

AB – No

VB – Ok, erm that brings us nicely to how does Post Office attack problems in the Sub-postmaster's account, it sounds like the answer to that is that it's very difficult?

AB – Yep

AB – We do lots of patents

VB – Yeah

AB – And we do lots of problem offices that are potentially having problems accounting

VB – Yep

AB – So it might be that they are really struggling to balance their ATM and we can see that we can talk them through it.

VB – Yeah

AB – Or we can ask for a trainer to go out – you know so that would be other level of interaction.

VB – Yeah

AB – We know this branch is really struggling balancing an ATM – can you get somebody out to them.

VB – So that's another level of erm intervention....

AB - Yes

VB – that you could..

AB – We could ask for it, although we don't go out, we could request somebody because we know they're having severe problems balancing.

VB – And have you always been able to do that or is that more of a recent thing?

AB – I don't know how many years but it was a good few years that we've requested training intervention.

VB – Yeah

AB – You know it's not a new thing. No. Erm – I don't know when the records would go back to see how far.

VB – No

AB – We've requested training intervention whether they could tell you downstairs I don't know.

VB – Ok

AB – Like Collette McAtear's team.

VB – OK, they might know erm.

AB – I think on the back of you know from erm the JFSA stuff and everything else I think we have made improvements.

VB – Yeah

AB – You know I think we have acknowledged there are issues there or there and done something about it.

VB – In terms of if the error is the other way so erm the branch is actually owed money erm how, for our noddy note, how does money get paid back to Postmasters – it's also a transaction correction but does it mean once it's in there are they've accepted it they can physically take cash out.

AB – Yep

VB – Ok

AB – In reality a Postmaster should never be making money.

VB – [Laughs] No, not like that.

AB – On the account no.

VB – Yeah

AB - Erm but if they'd done something wrong in reality they should be up.

VB – Yeah.

AB – So they should have money that they've not put something through for.

VB – Yeah, ok

AB – And we should be able to give them a transaction correction to adjust that back.

VB – Ok, so it should be for example like you're saying about the lottery, actually that £100 would still be in the retail till and the should be able to move it over, it shouldn't be 'wow I've suddenly got £100'.

AB – Yeah, I've not got it.

VB – Yeah

AB – Yeah

VB – Ok.

AB – But it's that would be a debit TC....

VB – Yeah

AB –as to what we'd want the money off them we would want £100 off it. But if they forgot to claim a prize payment....

VB – Yeah

AB – Then we owe them the money.

VB – Yeah

AB – Because we've paid it out.

VB – Oh I see, but then that just brings them back to zero it doesn't bring them back to [] (3 of 3 - 05:44),

AB – [] (3 of 3 - 05:45) No

VB – Yeah

AB – No

VB – Ok

AB – And, and sometimes they could have a surplus on their account and they would declare a surplus and we would be in touch with them about paying them back but they would tell us no.

VB – Yeah

AB – We think – they would think it's customer money in some instances that we've had so we've got a credit there – somebody's deposited an amount and they've not done it correctly. So they are waiting for that customer to come back. If that customer dies or something like that that credit would be held there.

VB – Yeah

AB – But we do ask them if they want us to pay that.

VB – Ok

AB – Former agents – we have credits on former agents believe it or not as well.

VB – Oh really.

AB – And we pay it back through erm we used to pay it back through HR.

VB – Yeah

AB – [] through HR [] (3 of 3 - 06:38) er because unfortunately [] (3 of 3 - 06:41) so we do get a lot of not very happy people but we are...

VB – Yeah

AB – ..Giving them money back and they are taxing it.

VB – Yeah – erm if I can ask you a bit about Horizon from your point of view an FSC whether you can see from a point of view that there are any weaknesses from your interaction with what you get out of it or erm even now or in the past.

AB – I don't see from Horizon – we see the interface into Pulsap.

VB – Ok

AB – And the weaknesses we've got are sometimes not having the systems. For the system being slow for us for so we get into a backlog position.

VB – So what do you mean by slow? Like the information doesn't upload quickly you'd like.

AB – Yeah you've got too many users on it and it does slow down.

VB – Oh ok.

AB – We have had different enhancements and everything else but we have had problems with intermittent services as well.

VB – Yep

AB – So it's us using the system, not necessarily Horizon, you know we have problems at Christmas that we can't see the information next day.

VB – Yep

AB – Because the files are so vast.

VB – Right

AB – Because it's them collections that we're doing they'll do a batch overrun.

VB – So is that because literally they've take in so many parcels or whatever that

AB – There's so much with so much information on the files that we're sending

VB - Ok.

AB – So, if you think like round Kay's area for an AP [] (3 of 3 – 08:21) if you're paying a bill at Christmas and we've got a lot of footfall through those files are individual records they get what's called a client file.

VB – Yeah.

AB – And that's individual records to update your bill.

VB – Yep

AB – So that they've got to be processed and summarised and if they are large files it does take time and we do get the plan for batch overruns in December.

VB – Right. So that's because each branch is transmitting information and it's just too huge because they've all done too many, far too many more than normal transactions.

AB – Yeah and if we become in a backlog situation on an open item account we can only view Credence records at erm detailed level for 13 – I think it's 13 weeks.

VB – Ok

AB – So we've only got a limited window to look at the transaction details because then it goes to summary level.

VB – So what impact does that have on what your team does?

AB – It can impact if they are trying to prove something through.

VB – And so once the 13 weeks on Credence is gone is that it or is so is that are you sort of driving to try and get everything done so you can do it within that period?

AB – What – if we now – they've just done an upgrade to Credence so hopefully things will be better moving forward but if we know Credence is going to go down they will get evidence off before they work so they'll pull that branch by that week or whatever and it'll be evident and then work on it, so that's how we've tried to get round it.

VB – And how long has Credence been something that you've been using?

AB – I don't know.

VB – But years?

AB – Yeah.

VB – Ok

AB – Yeah

VB – Ok

AB – I really find it hard now to be able to pinpoint a

VB – You, you

AB – I could tell you Lottery [laughs].

VB – I could have told you that was never on the [94] because I remember it but I couldn't have told you the date, the exact date – [] (3 of 3 - 10:24) [laughs].

AB – 19th November

VB – That is amazing [laughs]

AB – Actually it's not really amazing it's my mother's birthday – you know what I mean, so – well you've a trigger haven't you? Yeah, yeah. I always remember 1994

AB – It's a good quiz question isn't it?

VB – It really is actually, it really is. So I've got lots of question about Horizon and how Horizon works but it doesn't sound like they are particularly relevant to you..

AB – I'm not an expert in – I'm not an expert user from a Horizon point of view.

VB – That's fine. One thing I can ask you which you may or may not want to well maybe answer to erm and we have touched on already but one of the things that's raised in the erm proceedings is that fact that erm er loss doesn't necessarily mean an economic detriment because of Russel [Haperos] is a POL client(3 of 3 – 11:20)

AB – Haperos (3 of 3 – 11:20)

VB –and things like that. Any er explanation that is that your area at all or..

AB – So that is when they classify a paper loss.

VB – Yep

AB – Tell me what a paper loss is.

VB – Yeah

AB – That's what I would have asked the question of.

VB – Ok, ok

AB – Because I don't understand what a paper loss is.

VB – Ok, that's fine, that's question for somebody else I think.

AB – Yeah, and I think it's how do they explain that it's not a loss to our business.

VB – Yeah

AB – You know, if they had done something on Horizon that's created a record..

VB – Yeah

AB -we've passed the money on for.

VB – Yep

AB -we've passed that money on.

VB – Yep

ECD - Yeah

AB – On what they've told us.

VB – Then it's a loss.

AB – Then if they're not their books aren't correct and the cash is not there it's a loss.

VB – Yeah

AB – And if they're not making it good it's a business loss.

VB – Yeah

AB – So I don't understand this paper loss.

VB – That's a really good explanation of it actually that's really helpful because it's really helpful to have from the point of view of somebody in the business the reaction to a thing like that being said that is in the legal jargon. (3 of 3 - 12:38)

AB – [] (3 of 3 - 12:40) to say them.

VB – oh really It's not a real thing though.

AB – Tell me how it's made loss, what are you talking about.

VB – Yeah, unless it's literally somebody's written a number down and nothing's happened following on from it then it's a real loss. Ok that's really helpful.

AB – Yeah

VB – Erm, then I have got some more stuff about what people could see on Horizon which I don't think you're going to be..

AB – No

VB – That's not you [laughs]. Erm

VB - We've talked a bit – and now I need to know bit about civil claims and recoveries action which is definitely more you.

AB – Yep

VB – Erm – we've talked already about the procedure for her bringing a claim, erm so is it it's basically a commercial decision as to whether or not to bring a claim based on whether or not you think they're going to get the money back.

AB – Yeah – in the past we've always gone Judgment if we can – if we think we've got a good enough case we have gone for judgment.

VB – And was that always the commercial decision about whether you get the money back or was it more, was it more because sometimes erm I think about Post Office specifically but some clients are like no they owe us money were going for the Judgment, doesn't matter about the cost and someone will be like you know we're not actually going to get money at the end of it so we're not going to do that. Does that change?

AB – I think we've been swayed by this action...

VB – Ok

AB – ...into not doing it

VB – So you used to just go for it all the time.

AB – If we would go for Judgment erm and at I would say 95% of the time would get into the default so it's then – you've got it on record.

VB – Yeah

AB – We've got an option of [] (3 of 3 – 14:27) years

VB – Yeah

AB – And we have got some leverage if they get a job, attachment of earnings etc

VB – Yeah

AB – And if they had got property you would definitely.....

VB – Yeah

AB –to try and get it secured even if they have got kids in there or whatever and by this time we've had erm charges come to fruition after 30 years.

VB – Really

AB –which we didn't know we'd got. So Royal Mail used to put our charges on

VB – Oh right

AB – And now we are having to them asking to lift this charge, we also have people dying and no charge change and debt not being paid so there were a case the other week, he died in 2009. The family have just continued, so they can't [] (3 of 3 – 15:16) anything.

VB – So they didn't sell the property or prove the will or whatever they'd have needed to do and then.

AB – Why I don't know so why they've done nothing from a, you know. I don't know. I find it very very interesting.

VB – That is very interesting.

AB – Yeah. And I did want to go for more than Roderic wanted to go for.

VB – Yeah [laughs]

AB – He looks quite happy with himself for £120,000 I think.

VB – [Laughs]

AB – But we should have been having 300 based on how long – they'd never paid a penny on it

VB – Yeah

AB – And we've had Judgment 30 years

VB – Wow

AB – And a charge on a property for 30 year

VB – Wow – crikey. That's a long time ago so that would have been the 80s

AB – Yeah, and it were a big debt probably £67,000 debt.

VB – Yeah, so that the process about how to change it over time and it's now more of a commercial decision about whether it's worth the value of the cost to you as business of getting Judgment.

AB – Yeah and I think at the moment there's no appetite because it's in one ear we've got our Cameron saying 'I want my money' you know from a banners point of view and in other ear we've got this claim coming out so if I force sale of this little old lady...

VB – Yeah

VB - (3 of 3 - 16:39)

AB –. But she owes me £80,000. And I've got son shouting you know why should we pay you.

VB – Yeah

AB – Actually I need to move her – transfer your charge alright then we will do. Nowhere else would do it.

VB – Yeah. So you're letting people off more than you would have done in the past because of the action.

AB – I believe so.

VB – Well, I believe so too.

AB – Yeah

VB – Ok

AB – I think I can only go so far.

VB – Yeah

AB – And commercially I understand that

VB – Yeah

AB – You know

VB – Whereas in the past it was more of a they owe us this money we can prove that therefore we're going to go for it.

AB – But I know when I took over that area we were probably spending around £250,000. So we introduced fixed fees to try and reduce our costs and a set process round that and I think so we, we went from spending £250,000 to probably send in less than 50.

VB – Yeah – I remember when there was a sort of a..

AB – And this is [] (3 of 3 – 17:46). Yeah. This is what we've got back in. So I used to monitor how much we use to gain from a Judgment point of view or a charge point of view.

VB – Yeah

AB – So Judgment and charge is this value – just Judgment is that value and would send this much. So what's his return for that, this many and that many,

VB – Ok, that's a really sensible way of doing it. Because I did do, I think one case many years ago maybe 15 years ago for these so with [] (3 of 3 – 18:15). Erm what involvement does your team have with actually if at all looking at the contracts when they're considering recovering shortfalls from either formal or current Postmasters. Do they ever look at the actual contracts for those individual Postmasters or is it more of a 'this is our process based on those contracts'.

AB – All contracts say they should pay the losses.

VB – They do

AB – So irrespective of which contract they've got they should be paying the losses.

VB – Fine, that's fine. I thought that would be the answer but erm

AB – We would, we would gain a copy of contract and have it in the file from the former agent's point of view.

VB – Yeah

AB – But from a current agent's point of view they owe us the money.

VB – Yeah, and it doesn't really make a great deal of difference because

AB – What contract they are on now

VB – Ok, so looking at the contracts and probably more what the contract advisers don't do if it's more of a problem that might justify suspension or termination but other than what you're doing because you're right, they do all say it one way or another that you've got to pay the money back.

AB – We're getting an awful lot coming through door at the moment suspensions.

VB – Yeah

AB – Some high value losses

VB – Yeah. Is that because it's post-Christmas, is there usually a spike around then?

AB – Erm there's usually a spike on burglaries and robberies pre-Christmas and post-Christmas but erm there just seems to be a lot of money going missing.

VB – Hmmm

AB – And I think the model now that we've got is like forcing them down that road and taking money.

VB – Ok so they're finding it more difficult to make ends meet.

AB – Yeah. And the suspension report is saying they are falsifying their accounts they took the money and [] (3 of 3 – 20:03) when they walk in the door.

VB – Yeah

AB – So it is – I think it's I think our downfall is they don't do a lot of erm vetting or checking and we do do a vetting process.

VB – Yeah

AB – But what level of credit checking are we doing.

VB – On the process

AB – Yeah so if you are in a mess or you can't manage your money anyway

VB – Yeah

AB – So you're friends help you write a fantastic business plan

VB – Yeah

AB – You can't really, you know, you've got no track record of managing money. What's your credit cards like and after being in office so long what does your credit position look like because that I think would be a tell-tale on we've got a lot of branches.

VB – Yeah it would.

AB – That you know and I did a piece of work probably eight years ago on that..

VB – Well a certain..

AB – And it never got to the final hurdle.

VB – So the famous lady to do with this case erm certainly said that she had spent the money shopping erm it doesn't say that now but that's what was said at the time. And I think you're right about that – it's I think the point for us for our sort of note is presumably what you're saying is it's a huge responsibility to run a branch and you're entrusting them with a lot of your Post Office's cash and stock.

AB – Yep and there's nothing more tempting, you know, you can see a new pair of shoes or a bill needs paying.

VB – Yeah

AB – There's money there.

VB – Exactly

AB – Whether it's yours or not.

VB – Yeah

AB – They don't see it as theft

VB – No

AB – they say I will borrow it

VB – Yeah

ECD – With the intention of paying it back

AB – And there's some people in some desperate situations

VB – Yeah. And they may not view it that differently from if it was literally their shop where maybe that would be ok to borrow the money, particularly as it's blurred because often there is a retail bit and a Post Office bit.

AB – But the when this couple of I think at least one suspension report said they are absolutely struggling totally on the retail side because there's a Tesco express opened [] (3 of 3 – 22:34).

VB – Right, right

AB – So their business has gone like that and they've gone like that. They just haven't [] (3 of 3 - 22:41).

VB – Yeah

AB – It's a lot of trade isn't it you know.

VB – Well it is.

AB – Mmm

VB – I mean from your point of view erm, you deal with false accounting a lot – what do you think or why shouldn't they be doing that, why – why is that wrong from Post Office's point of view. I know it's a really silly question but erm [laughs] why is false accounting wrong and the reason why I am asking you that is because there seems to be some sort of erm suggestion within the case that there is a criminal offence of false accounting and then there's like well just like – just not as serious – there's two levels.

AB - False accounting would lead me to believe you're falsifying something and I believe it's still theft because you are stealing money from somewhere to hide it. But we can't prove theft that is why we go on false accounting.

VB – Ok

AB – And I think that's where they [] (3 of 3 – 23:56) and that's my opinion.

VB – Ok, that's an interesting [] (3 of 3 – 23:58)

AB – my personal opinion we've always said it's false accounting because I can't prove when they actually took that money out of that till.

VB – And what impact does false accounting have on the Post Office?

AB – Losses

VB – Yeah

AB – We've currently got 10.7 million pounds worth of former agent's losses.

VB – Really

AB – Hm

VB – And how does that figure change over time is that – so is it?

AB – It's going up

VB – It's going up?

AB – Yeah

VB – And has it been up and down over time or just steadily up

AB – When I took it on we had about 7.2 million in a year.

VB – And when was that?

AB – That was 2007/8

VB – Yep

AB – So I've got a full picture from then to now. Erm

VB – We might be interested in that, erm

AB – But I've got what we have recovered erm and you know what the new debt pictures were, what we've carried forward erm but we stopped doing a lot of checking, so we we pulled a lot of investigation or erm like your fraud teams we cut it.

VB – Yeah

AB – So we weren't sending as many audits out. So if losses went down that's great, lovely, but it's not lovely because now we are doing more audits [] (3 of 3 – 25:31) so previously we might at a level, we pulled it down to the lower level of loss

VB – Yeah

AB – There might have been still as many but the levels were low.

VB – Yeah

AB – And it was very unusual to find anything over sort of £25-30,000.

VB – Yeah

AB – They were exceptional so in a year you might get 10

VB – Yeah

AB – Where now every week I'm getting 57, 54

VB – Right

AB – You know, suspended

VB – So the losses are still there they just weren't being detected as quickly.

AB – Yeah

VB – Ok

AB – So it's how many branches can we audit, how much analysis can we do without and I don't know what level of fraud [] (3 of 3 – 26:12) using there.

VB – No

AB – But our intelligence in that area I don't think was very good.

VB – Right

AB – It used to sit with me and I don't feel [] (3 of 3 – 26:22)

VB – [Laughs]

AB – Do you know what I mean but we said right we looked at different things how we could pull data but we should have had a robot pulling us that and saying 'boom boom boom' this is a problem, you know get somebody out on the next train to this office.

VB – Yeah

AB – And I don't think we've got enough intelligence in there for that.

VB – No

AB – And I think Kim's team do a fabulous job, you know we have detected an awful lot and I keep saying please will we have a day off because the proof is they are finding things.

VB – Yeah

AB – But that's probably what you need to talk about what they're looking for.

VB – Yeah, no that's I mean it's really helpful some of these people that you've mentioned that we should speak to, some of them we're speaking to and some of them we haven't arranged to speak to yet so I think that's really useful, erm.

AB – But as I say we never know, we can only look at a certain amount of data.

VB – Yeah

AB – And if that data is forming a pattern it's raising suspicion.

VB – Yeah, but you have to cut your coat according to the cloth or whatever this phrase is.

AB – Yeah

VB – Yeah

AB – So it's how do we, you know, how do we pitch it at that level

VB – Yeah

AB – So now we're seeing a big I think a rise in debt

VB – Yeah

AB – So I'm getting you know, what you doing about it?

VB – Yeah and that must be of a concern you, bearing in mind you're doing less, can do less because of the case in trying to get it back.

AB – Yeah. That's the frustration

VB – Yeah

AB – So the debt's still there – I've got a screaming from this side 'why aren't you getting it in', I've got restraints from that side saying 'don't go after that'

VB – Yeah

AB – And don't spend that money, don't do that don't, rock that boat. No you can't force that sale. Do you know how much of that's going to cost you.

VB – Yeah

AB – And court fees are ridiculous

VB – They're huge now

AB – Ridiculous

VB – They're huge

AB – On what we used to pay

VB – Yeah, course I mean you used to be able to do it for you know tens of pounds and now it's ridiculous

AB – Yeah

VB – Yeah

AB – So and I think that's to me that's criminal

VB – Yeah it's not fair

AB – It's not allowing you to pursue – with cost constraints round it

VB – Well there's no guarantee even if you do, if you're successful but you'll get it back because it adds on to another figure that's written down that you may never get back.

AB – Yeah – so 30 years [] (3 of 3 – 28:47) I'll still have to write it off even though it's just spent you know £30,000 trying to get it.

VB – Yeah, yeah. I think that comes to the end of my questions for you.

AB [Laughs]

VB – Erm unless there's anything that you think that we should know about that you haven't told us about erm and or whether Emma has got anything else.

AB – I don't know how useful it's been

VB – It's been really useful

ECD – Really useful

VB – And really interesting, erm as I am somebody who done a lot of Post Office work over the years as well erm it's really interesting to meet people and hear what actually happens erm so it's been really useful.

AB – I think in any case I'll sort of say that we [] (3 of 3 – 29:34) were Lee Castleton and Lee Castleton's evidence is sat in a box in office and it is this big.

VB – Really? My boss who I work with in Bristol, Stephen Dilley – he did that case with Lee erm so I remember that being an interesting case at the time and that was a really..

AB – Was it?

VB –important case of the bit of a Judgment that erm to do with signing off the accounts and the meaning of what that was so you know that was erm so was that the only one that went to trial.

AB – That's the one that was seen as the test case of all test cases that we got here.

VB – Wow

AB – everything else since....

VB – Well I suppose

AB – Mr Bates and

VB – Well

AB - [] (3 of 3 – 30:27)

VB – You've got all the names [laughs]. What we are going to do now is – we're going to over the next few weeks turn that our discussion into a document.

AB – Yep

VB – Which we'll then send you to have a look at and correct or change, it might be we have other questions, it might be that we might ask to meet with you again, erm but it's all with a view to potentially needing you to give witness evidence if it's decided that's what's needed at the time erm, depending on how the case goes erm, who else you speak to and who's best to speak to which...

AB – Oh I'm sure there's a lot more important people that know a lot more detail than this.

VB [Laughs]. Well that's been really helpful.

AB – I'm sorry I scribbled on it

VB – No that's really helpful

AB – If you do want a clean copy I can send it

VB – Ok, we'll let you know if we do but that's really great it's really helpful to have names written down for us because for poor Emma trying to write everything down to also get the spellings, names is impossible so that's really helpful thank you. Thank you very much.

AB – We've not I think I don't know whether others, the other one that's got the systems on have got the team names on them.

VB – Oh brilliant. Oh that's really helpful

AB – So that it just summarises Carol deals with AP buyers yeah

VB – Brilliant

AB – So that's a carbon copy of that but that's got the not the people the systems, yeah that's not the people.

VB – What we might do with these is we might append them to the document that we're going to produce for you.

AB – Yeah

VB – And when we do that we might ask you to give some thought to erm whether or not these are confidential in a way that can be shared with other people, if there's any elements [] (3 of 3 – 32:04) then perhaps we might not – the document we're doing at the moment is just internal so there's no worries about that but if going forward but then I suppose we could always turn this into information for the statement that would erm be er definitely fine as a public document.

AB – Yeah – it's drawing a picture and I don't know whether you would want names and things on, do you know what I mean where you just want a hierarchy picture

VB – Team leader of this

AB – Yes

VB – Or people on the

AB – Yeah

VB – Yeah

AB – I've got that summary on another document

VB – Yeah

AB – Don't know whether it's right but

VB – [Laugh]

AB – Somebody else did it and I'm sure it's not right

VB – [Laughs]

AB – [] (3 of 3 – 32:45) [Laughing] So you're not on this one we don't pay you after our budget Stuart. You can't be on ours.

VB – That is really useful with the numbers as well and the colour coding it's really good so thank you.

AB – It just probably helps – if we get visitors round that's how I try and sort of walk through what we do.

VB – Yeah – and it gives an idea of the scale as well of the people involved and actually it would be helpful when we're seeing them erm [] (3 of 3 – 33:11)

AB – I don't think – I think they see Chesterfield as just a issue TCs and we are more than that, you know from a managing account, managing clients, you know paying clients, dealing with the customers' issues and through enquiries that we have in.

VB – Yeah

AB – So you know. It is wider yeah

VB – It's going to be interesting to – I've never actually come up to Chesterfield before so whatever is at Post Office that was really interesting to do that and hear about all the different teams that are here when you think about it – it's huge so..

AB – Far less than what we were [] (3 of 3 – 33:38) But it's a lot different to how it was.

VB – Yeah – but I suppose like you were saying if more of it can be automated then you don't need so many bodies

AB – Yeah

VB – Yeah

AB – I want a report on my desk to tell me how I'm doing on Monday morning and I get that. So what do we look like, right what you doing about it.

VB – Yeah

AB – Do you know what I mean and it's putting that mechanism in that you don't have to go into the system and pull it all.

VB – Yeah

AB – Somebody pulls it for me and then it all formulates [] (3 of 3 – 34:18).

VB – And there can't be any timetable that's done by a robot so it's also good.

AB – Yeah. But I also look like I'll get a download on a Monday morning of all open items that we've got and I'll have a look at high value stuff – so what we doing about this – if it's over two days' old what's happened on it – er it's different things that we're looking at.

VB – Sounds like your job is really interesting [laughs]

AB – I am getting a lot of grey hair – it's going to white – you can't get away with [] (3 of 3 – 34:50).

VB – Brilliant – well thank you ever so much

AB - You're welcome

ECD – Thank you

VB - It's really useful

AB – Give me a buzz

VB – I really appreciate it

AB – Yep, give me a buzz if you want any more or I can try and you know point you in right direction

VB – Brilliant we will do.

AB – But Chelle will cover current and former agents

VB – We're meeting her tomorrow aren't we?

AB – She's in former

VB – Yep

AB – But I don't know whether you want Dawn [] (3 of 3 – 35:16).

VB – We're gonna see

AB – Have you got Dawn on

VB – Is Dawn?

AB – Dawn sorry Phillips

VB – Ok, we are seeing Dawn I think on in a couple of weeks yeah, in a couple of weeks

AB – Yeah she's a current agent

VB – Erm we just er couldn't get everybody into these two days so we're er having another couple of days in Chesterfield in a couple of weeks so yeah

AB – Ok, just let me know

VB – Well thank you very much

AB – Bye

5.15 – end of recording