



Personal attendance

Client: Post Office Limited

Matter: Horizon IT System-Group Action

Matter no: 364065.1369

Attending: VMB1, LRB2, Paul Inwood

Name: Lucy Bremner

Location: London

Date: 18 January 2018

Start time:

Units:

VB: I am Victoria Brooks I am a Managing Associate at WBD. I have been at the firm for about 15 years. I have worked with the Post Office on and off over that period and I have been involved with group action, pre-mediation scheme and we have met previously on things before as well.

LB: I am Lucy Bremner I am a Solicitor in the Newcastle office at WBD and I am assisting Victoria.

PI: I am Paul Ingwood I have worked for the Post Office almost for 32 years. I am responsible for all of the policy and contract developments for postmasters in our state. I have been doing that for around seven years. Prior to that I have held various other management roles within the business. I have been working with postmasters for 20 years now. I do not get involved in the implementation or the deployment of our contracts and by that I mean operational decision making except that previously I have been an appeals manager for Subpostmasters. I do provide advice to John Breeden's team who I know you are speaking to around contractual and policy issues.

VB: I used to deal with your colleague Sarah on that.

PI: Sarah Rimmer works for.

VB: A different Sarah around the time of the contract breaches.

PI: Oh Sarah Ryan that worked for me she has left now. She was one of the policy advisors. I only have two now because the network transformation has come to an end so the workload is lower. So generally I would advise the business on policy issues for postmasters so anything that happens in their life cycle from the moment they are appointed to the moment they leave the industry various things happen insolvency, robberies and so on. So that is what I mean by providing advice. I am responsible for the drafting of those policies and the clearance of and also all contract developments for the last seven years including network transformation.

VB: That's really helpful.

PI: Sorry I also look out for postmasters' employment and taxation status as well so I am the SME subject matter expert in the company on that.

VB: What I am going to do I think is I am going to ask you some more specific questions about those roles in a minute but that opening is really helpful and the questions that we have got I know you have seen some of them but not all of them your name has been put forward by various people from various areas. It may well be that when we get to those areas that you are not the right person to speak to in which case just say so.

PI: Rob did warn me don't guess or style it out I will just say that is not my area of responsibility.

VB: So if there is anyone else who you would suggest that would be the people we should speak to on anything specific or more generally then let us know as we go through.

PI: OK I have seen the cast list for this so generally I think you are talking to the right people.

VB: That is sort of round one of those people that we are talking to and then we are going to speak to more people most probably. So we have sort of jumped into a bit there of what the purpose of the meeting is but it is to obtain a proof of evidence. It is a document recording what you say today. It will be basically just what you say but it will be organised a bit more logically than it may come out by topic but it is not the same as a witness statement which would be a much more polished document with references to other documents and things like that.

PI: It would be disclosable obviously.

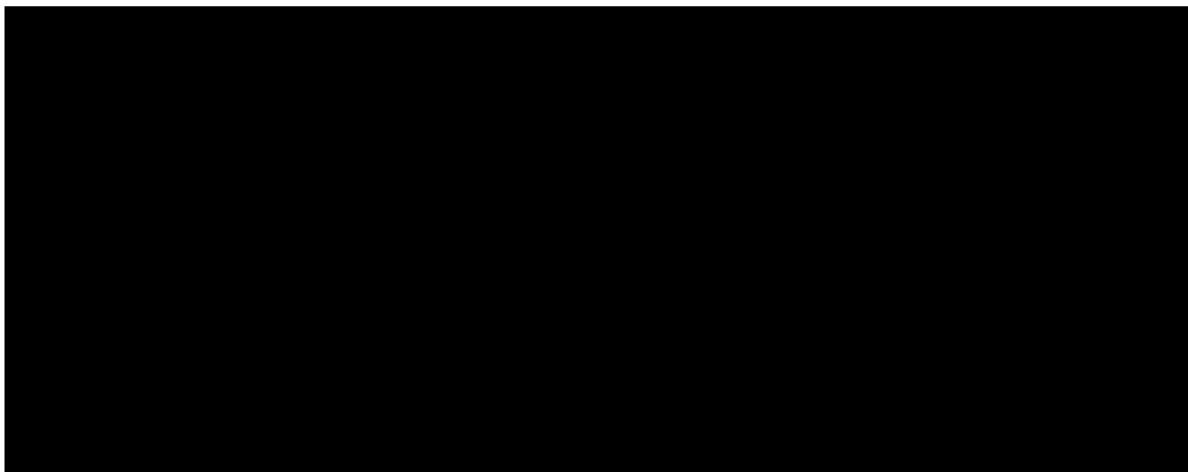
VB: Exactly and that is the reason for doing it in this way in that we will not have to share it with outsiders it is an internal document.

PI: I have appeared as a witness for the Crown in various criminal trials where the company has been the injured party in employment tribunals as an expert witness or a direct witness for events. So I have some experience.

VB: So you know a lot about what we are talking about then.

PI: Hopefully.

VB: What we are interested in hearing is as much detail as possible. You might feel like you are telling us stuff that we already know and we may well already know it but the purpose of it is to get it as evidence from you. So apologies if that is a bit tiresome. We are interested in the strengths of the case but also the weaknesses so if any policy issues you think has a weakness and I will be asking you know what is the biggest problem with this or that or interested in that as well because we ultimately want to advise Post Office on where they are with this bit of litigation you know whether there are any flaws that we have not seen.



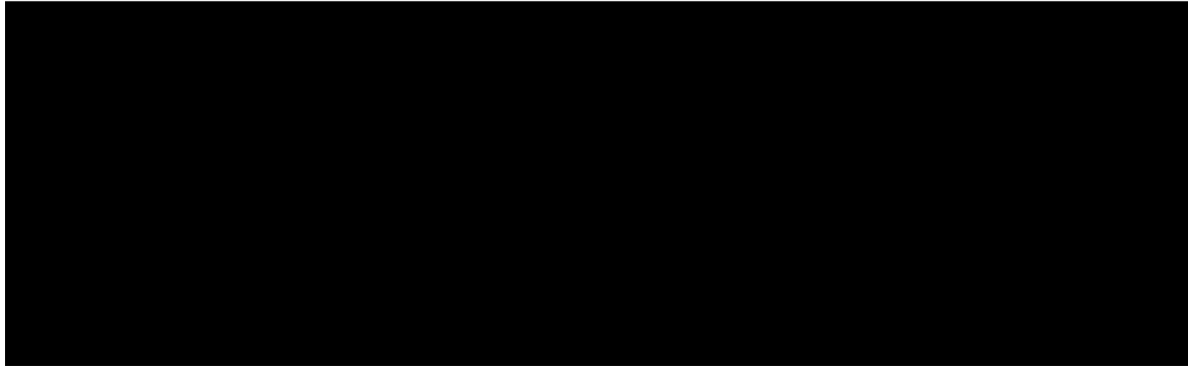
PI: But I have had other roles as I have said going back 20 years where I was a contracts manager or a contract advisor and I was working in the field with postmasters as an area manager so I could probably comment about all three periods.

VB: Well that is really useful. So you were a contracts manager, a contracts advisor and a field.

PI: If you go back to 2001 to 2005 I was a contracts manager for the South East region. Prior to that I was an area manager managing postmasters in the field and prior to that I was involved with crown directly managed which is not what we are talking about here.

VB: Well actually we might ask you a few things about that because you may be surprised to hear that some of the people who are claiming are crown employees we think. We have had a recent tranche of extra claimants.

PI: The number has gone up.



PI: I have blocked out November. I am looking forward to it actually.

VB: Are you. You are only the second person to say that.

PI: Am I that is not misplaced sort of arrogance you know I have done it before I know my subject and I am not easily intimidated.

VB: It's good to have somebody with experience of having done it because I suppose a lot of people we are speaking to won't have had to do that.

PI: No I mean I was quite nervous the first time I did it. I can understand that. The apprehension and you know it's hot stakes.

VB: As I said I have got a list of questions for you. It may be as we go through that some of them are not really you in which case please just tell me.

PI: I will tell you who it is because I know the business so well. They may disagree with me of course but you know.

VB: If we can kick off then with a bit more about your background. You have told us already that you have been with the Post Office for 32 years.

PI: Almost yes from 1 April this year.

VB: Is it possible to go through your history of the Post Office?

PI: I started on 1 April 1986 and for about three or four years I was a counter clerk working on a counter in a directly managed branch or various directly managed branches in South East London, the Bromley area. That is a postal officer I think that's actually what it is called. I think I did that for about three or four years and then probably around 1990 I began what they used to be called as an acting branch manager or an assisting branch manager in the same territory.

VB: So you directly managed?

PI: Yes and then I got a sort of substantive appointment as an assistant branch manager and I worked my way up to branch manager.

VB: And when was that?

PI: This is in the period from you know 1990 to probably about 1995. When I was a branch manager I kept on getting appointed to bigger branches because that is how you progressed and I think it was around 1994/1995 that I was working at Peckham branch office in South East London and then I progressed to being what they called at the time a retail network manager. So this is around 1995/1996 probably and at that point you used to have a sort of mix. Some retail network managers had directly managed branches. Some of them just had agents in branches, postmasters and I think at that point I was just running postmasters. You would have 20 to 30 branches in your area. There was no sales culture then it was very much reactive compliance, a pastoral element to it and I did that again in various areas and including some directly managed branches because you had a hybrid model there. You had a smaller number of directly managed branches and then agency branches. Then the business reorganised itself and it was just directly managed branches.

VB: And when you say you had you mean the retail network managers had and that is how they decided to split up the patches I suppose.

PI: The company just kept on reorganising its structure to get the optimum approach to managing the network so it sort of moved from having retail network managers managing postmasters and then others managing employees we had a hybrid model but then it moved away from that again and the geography would frequently change so I had experience of running a sort of hybrid area where you would have say five directly managed branches and 25 agency branches. Then I went back to running just agency branches. That was around probably 1997/1998 and then I think it was around, I always approximate things by events and it was just after 9/11 which I think was 2001 where out of the blue I had an opportunity to help a colleague as he was having problems in the South East region with a contracts manager and I agreed to go down there for a couple of years to Maidstone which was the regional office if you like. So then I was responsible for dealing with all of the appointments it is like births, deaths and marriages, appointments, termination of contracts. All the things that happen between those two points contractually I would be responsible for that in the South East region and I think I did that until 2005 so it was probably a bit longer than I had intended and in 2005 I got my first senior manager's appointment working in what we call the rural strategy programme. So this was the creation of the core and outreach model that you will recognise in our business. I did that I worked at head office for a year then I worked on that programme in the field for a year and then around 2007 I got another appointment, same grade working for Kevin Gilliland who has actually just left as the chief executive, but he was responsible for what we call the network development and I was responsible for the contracting elements only for the Post Office network and that was for a period until 2010 where we did a restructuring and we subsumed the policy role and the contracts role into one so that was a bigger job that I went for and got in 2010 which I have been doing up to now. And that is only for the postmasters all of that. So I have not had any involvement with employees in that sense since probably the late 1990s when I was an Area Manager.

VB: Have you always worked for Post Office or how did you come into in and what did you do before?

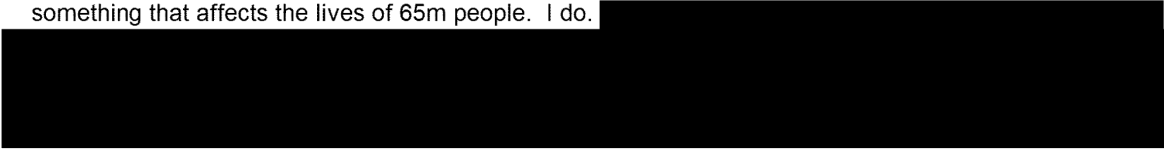
PI: Prior to that when I had finished my A levels I worked for the Home Office from the period ending obviously in March 1986 for a period of about three to four years at Lunar House in Croydon. I worked in the immigration and nationality division and that was just a clerical role sort of entry level for school leavers sort of thing.

VB: And what made you want to go and work for the Post Office?

PI: Money. They paid better than the civil service. I had a friend that worked on the counter in a directly managed branch and I saw what he was earning or he told me and he was a postal officer which is one level above a clerical assistant in the Home Office but the gap in pay was considerably more so it was really just money and I could not get any further in the Home Office because bizarrely although I had good A levels I did not have five O levels and you could not make the jump from clerical assistant to clerical officer or executive officer unless you had those 5 O levels which you know I have got A levels in economics and politics and I thought that was a bit odd so I did not want to retake O levels once you have done A levels so there is no way I could have advanced my career really but the Post Office were more flexible on what they were looking for really.

VB: What has made you stay with the Post Office for so long?

PI: I like the people, most of them. The work I have always been able to get successive promotions every five or six years. They pay very well, you get very good job security even now relatively to the market. The pension scheme was and probably is compared to the market very good. It is just interesting work and it is worthwhile. The social purpose is not many people get the opportunity to do something that affects the lives of 65m people. I do.



VB: I do not really have a view about unions. I have never been a member of one. I don't know what its about.

PI: I think they have some value but I think they destroy more value than they add overall. That's quite a contentious sort of issue probably. It is not heavily unionised as it used to be maybe but it was a heavily unionised environment but it is less so now because we have got fewer employees and the federation they may look and sound like a union but they are not and I have always got on fairly well with them.

VB: One of the questions I was going to ask is who do you work with and what do you do in the role and how you do it but I wonder whether is it possible to go through that for the various roles you have done or would it be better to pick that up as we go along?

PI: No I can give you the current as is. I report to Nick Beale who is the head of Atkins Development. I have counterparty in that team who is Chris Howard who looks after remuneration so he is the sort of other side of the coin really on contracts and policy or remuneration. I have got two direct reports in my team who are policy advisors, Stuart Barclay who is more of an analyst and is particularly strong on systems and Steve Butting who looks after the mail work part of the postmaster estate but purely in the narrow aspect of mail work. So he is like a sort of contract advisors for mail work but he can do policy work for me as well. It is a fairly small team of about eight or nine and we sit within retail. So Tom Moran -Nick would report in to Tom Moran and Tom Moran would report to the new Chief Executive, David Smith.

VB: What other teams in the business do you work with?

PI: Probably most closely John Breeden's team which is network operations because they are sort of the other side of the coin regarding contracts and policy but they do recruitment as well so it is broader and probably the wider retail team because you know that there are various simplification projects going on. Modernisation, network transformation, network development, simplification you know all of those things involve changes to contracts so I would be a consulted stakeholder responsible for affecting contractually what they are designing if you like. The policies I produce are communicated to the whole of the business generally and anyone in POL can come to me for advice on any of the issues that really affect postmasters so I am a bit of a sounding board on that for the whole of the company including employment and taxation status. I would say that most of my work is design work, some of it I am reacting to events going on around me within the company.

VB: So what sort of projects have you been involved with if you would call it a project I am not sure?

PI: I can give you a few examples. At the moment there is a project going on where POL have switched its telephony provider to Verizon and that does affect postmasters because the way they are able to use the telephone lines that we provide has changed so I have had to redraft contracts and operations manuals and communicate that change contractually to them.

VB: You used to do split billing?

PI: Yes split billing so that is one aspect of [] (1 of 11 – 23.24) lines. We are producing what we call an integrated EPOS solution so strategic partners or independents will be able to use our software on their hardware. That is an ongoing project.

VB: So what does that mean?

PI: You know the Horizon system. Well if you look at Horizon purely as a piece of software that is pasted onto a retailer's EPOS terminal so their retail staff can use our system through their hardware and that will manifest itself contractually in the form of an addendum to the existing postmaster's contract if they agree that they want to do it obviously.

VB: And so is that just for postmasters they could use that in the retail in the branches?

PI: At the moment but theoretically we could extend the network beyond and that could be implemented for any retailer. That is a sensitive subject because of the issue of cannibalisation where you know the federation will say that you are not creating a bigger cake. Those guys are going to take some of the existing cake and therefore the existing estate will suffer. There is another project going on where we have got self-service kiosks and we are piloting whether we could put those into hosting premises so someone who is not a postmaster would have a slimmed down version of the contract and operate that on a standalone basis. That is happening right now really in terms of clearing the contract so what I am seeing is that there is a lot of network strategy projects going on like that and then you have got simplification of existing product set with remuneration and price changes going on. That tends to be more straightforward because it is just an operational change and I do not get so involved in that because we simplify how you do it, we tell you and then we reduce the remuneration very controversially sometimes.

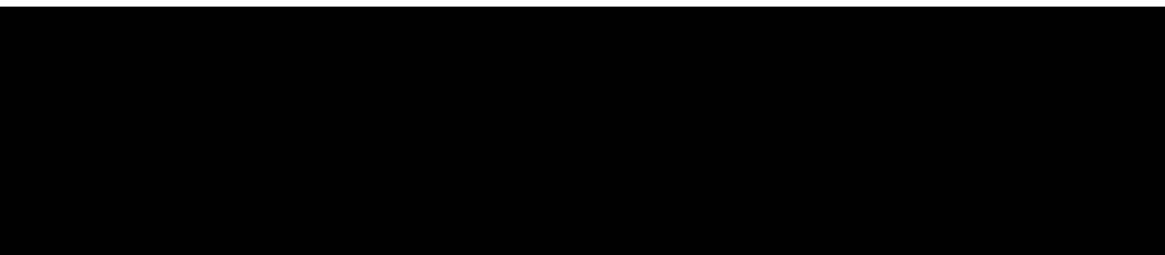
VB: So if you are working on lots of contractual issues like that is it you instructing lawyers?

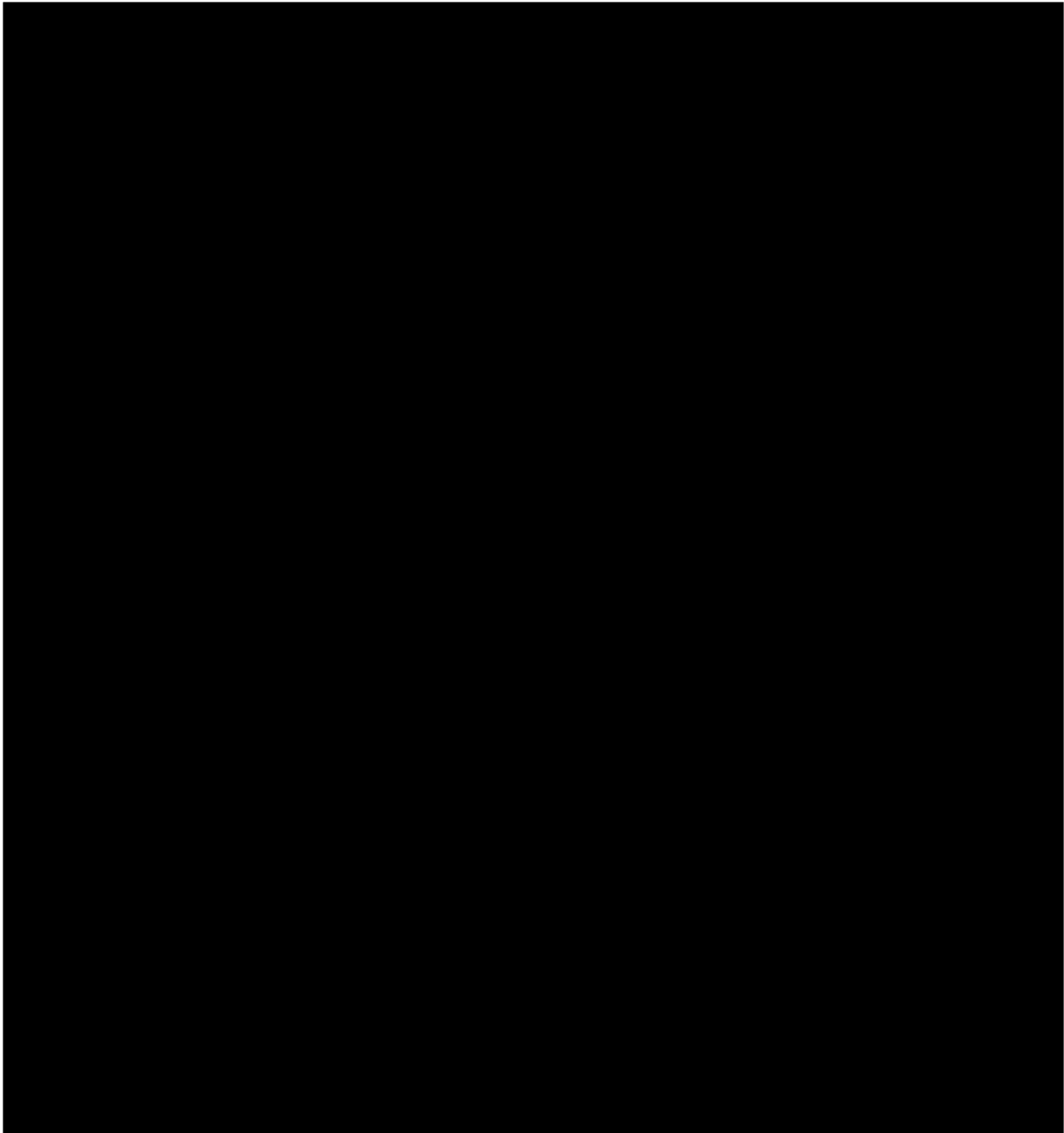
PI: I tend to act as a bridge between the commercial side of the business retail and legal services so not all of the time. Where I can add value they would come to me, I would interrogate their concept or project or design and I would turn that into a meaningful set of instructions. Often I would draft the contract and then I would share that with Zoe. Sometimes I don't do that.

VB: Which Zoe is this?

PI: Zoe Brower who is the head of legal for retail. Sometimes it is too complicated for me. I have not got any formal legal training I am self-taught so I would instruct them directly so an example of that is the integrated EPOS solution. I have done a strawman sort of skeleton and I would hand that to them and literally today I think she is drafting a contract for that or Kate Steele or some an external provider or others.

VB: Yes those contracts are hugely complicated.





VB – Oh I see

PI – Er, I'm looking to publish the operations manuals on there.

VB – Yeah

PI – Because they're only available in hard copy which is not very efficient. It's commercially sensitive but only postmasters can access it.

VB – And is it erm accessible via Horizon or via normal [] (2 of 11 – 01:27)

PI – I'm not sure about that it's a bit discreet to me because up to now I've not published anything on there.

VB – Oh I see

PI – I want to have things on there, because I've seen er the benefits of that, there's a guy called Steve Fox who works in network development. He's the model owner so once he's amended the operation manuals he'll be making arrangements for those to be posted electronically on that site.

VB – Ok

PI – I think it's due to be – there's a project going on called success factors and er digitisation of learning for postmasters and I think that site's gonna change its name and its look – I'm not sure what it's gonna be or what it's gonna be called but it's currently called MyPostOffice which is an intranet site really.

VB – Ok

PI – for postmasters

VB – Ok – that's useful to know anyway, erm and we may check with somebody else whether or not erm how they physically access that.

PI – Yeah, I can't remember the name of the site owner to be honest with you, er er I know that the contracts team will know this.

VB – Ok

PI – John Breeden's team, some of them.

VB – I'll ask erm John tomorrow [laughs]

PI – Yeah he did mention I was with him yesterday up in Chesterfield actually

VB – Ok

PI – I did mention [] (2 of 11 – 02:42)

VB – Yeah – oh we'll ask him that [laughs]. Erm

PI – He may point you elsewhere on that but it's a good starting point to find out er more about MyPostOffice.

VB – That's really useful. So we were talking about what you did and who you, who you work with, is does that cover that do you think for the current role?

PI – Yeah, yes it's I've had 10 or 15 line managers in my career which is what you'd expect, you know for 32 years.

VB – Yeah

PI – You know, we've had a lot, you know that we've had a lot of headcount er attrition, you know many of them are not here.

VB – Hmm, yeah hmm mm, well over a period of time things change don't they. Ok, well erm that's a really helpful summary of the background, I think if I now start going into some specific areas and do please tell me if erm it's not something that you've been involved with and also I didn't say at the start but if anyone wants to stop at any point.

PI – That's ok yeah

VB – Then please do put your hand up and we will stop because erm

PI – I'll put my hand up

VB – Laughs

PI – It's not a hostage situation then.

VB – No [laughs]. So the first area I've got is erm the recruitment and interview process

PI – Yeah

VB – So, the sorts of things we're wanting to get out of this is the recruitment and vacancy advertising process for new appointments or replacements that has changed over time.

PI – Ok

VB – Now I don't know – we've got those three areas that we're interested in pre-Horizon after the introductions of Horizon and on the introduction of the NT contracts.

PI – Hmm

VB – Don't know whether that's something you can talk to over any of those periods?

PI – I can tell you about the advertising approach

VB – Yeah

PI – The recruitment sits firmly within John Breeden's remit

VB – Ok

PI – And that process has changed a lot over time

VB – Ok

PI – And it's the most commonly reviewed process

VB – Ok

PI – Because no-one ever seems to be happy with it er and I think it's currently under review now but I'll stay out of that er I do own the advertising policy.

VB – When you say that you don't deal with it, when you say that their recruitment has changed a lot over time though

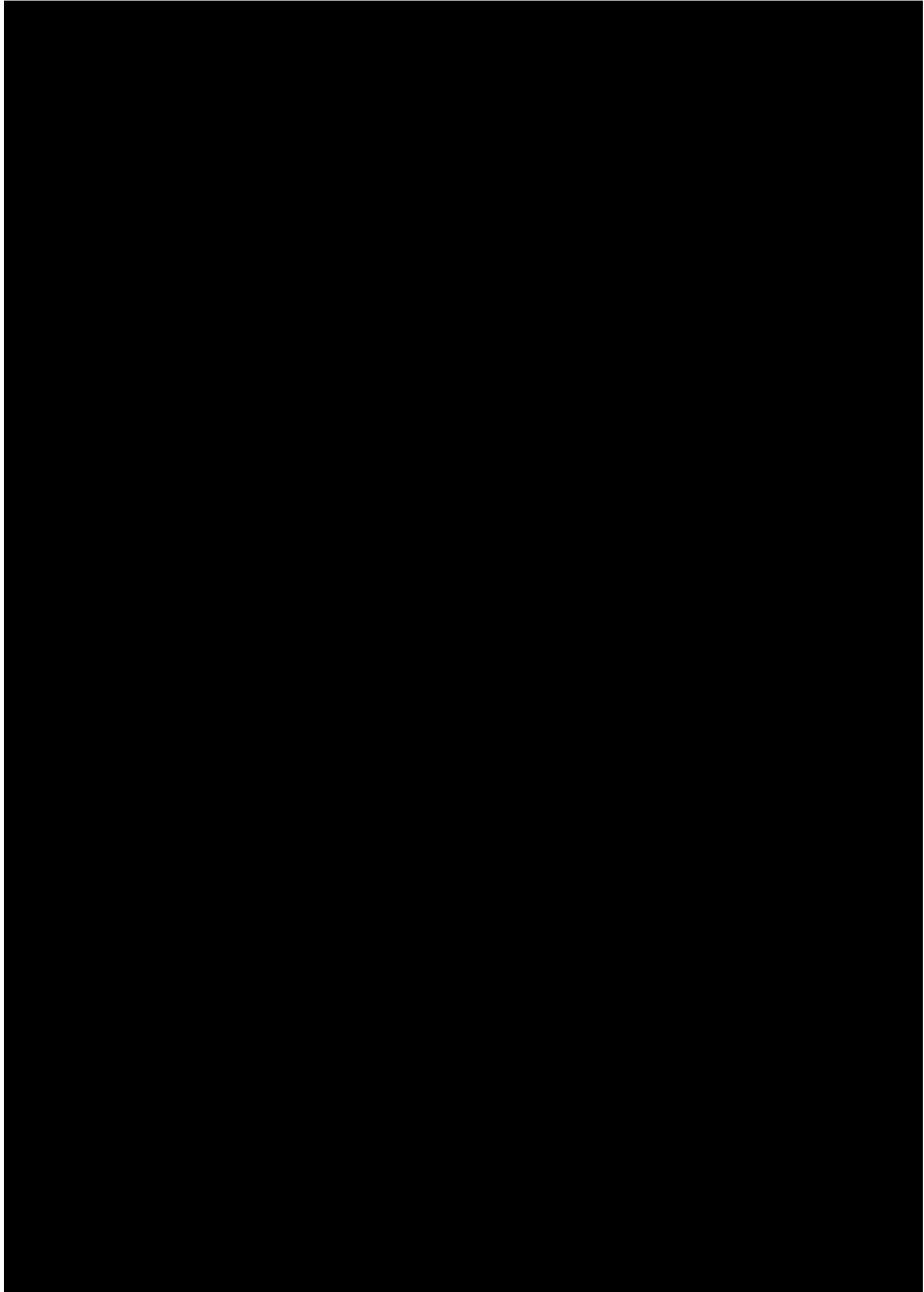
PI – Yeah

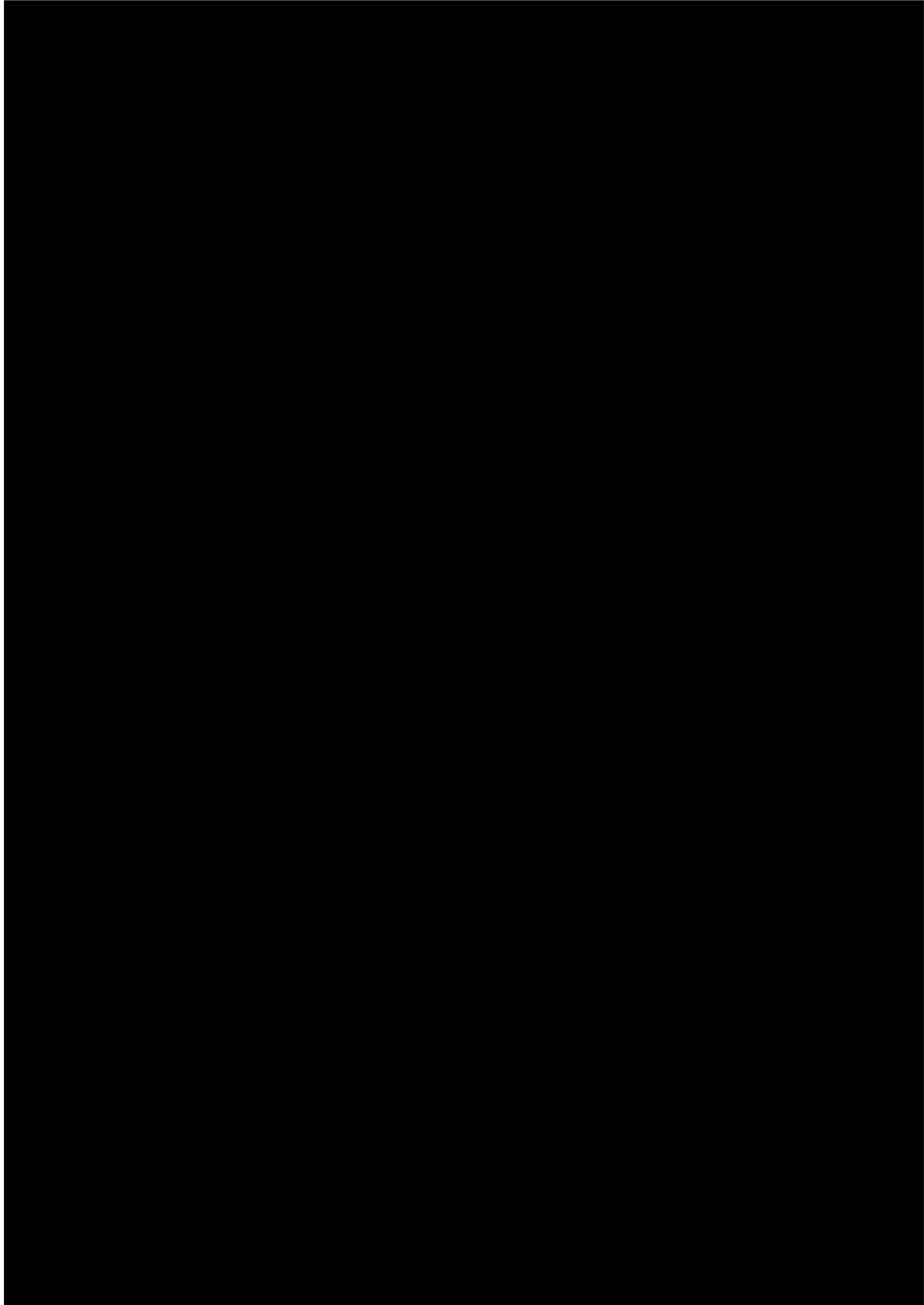
VB – Is that an area of policy that falls within your remit that you get [] (2 of 11 – 04:53)

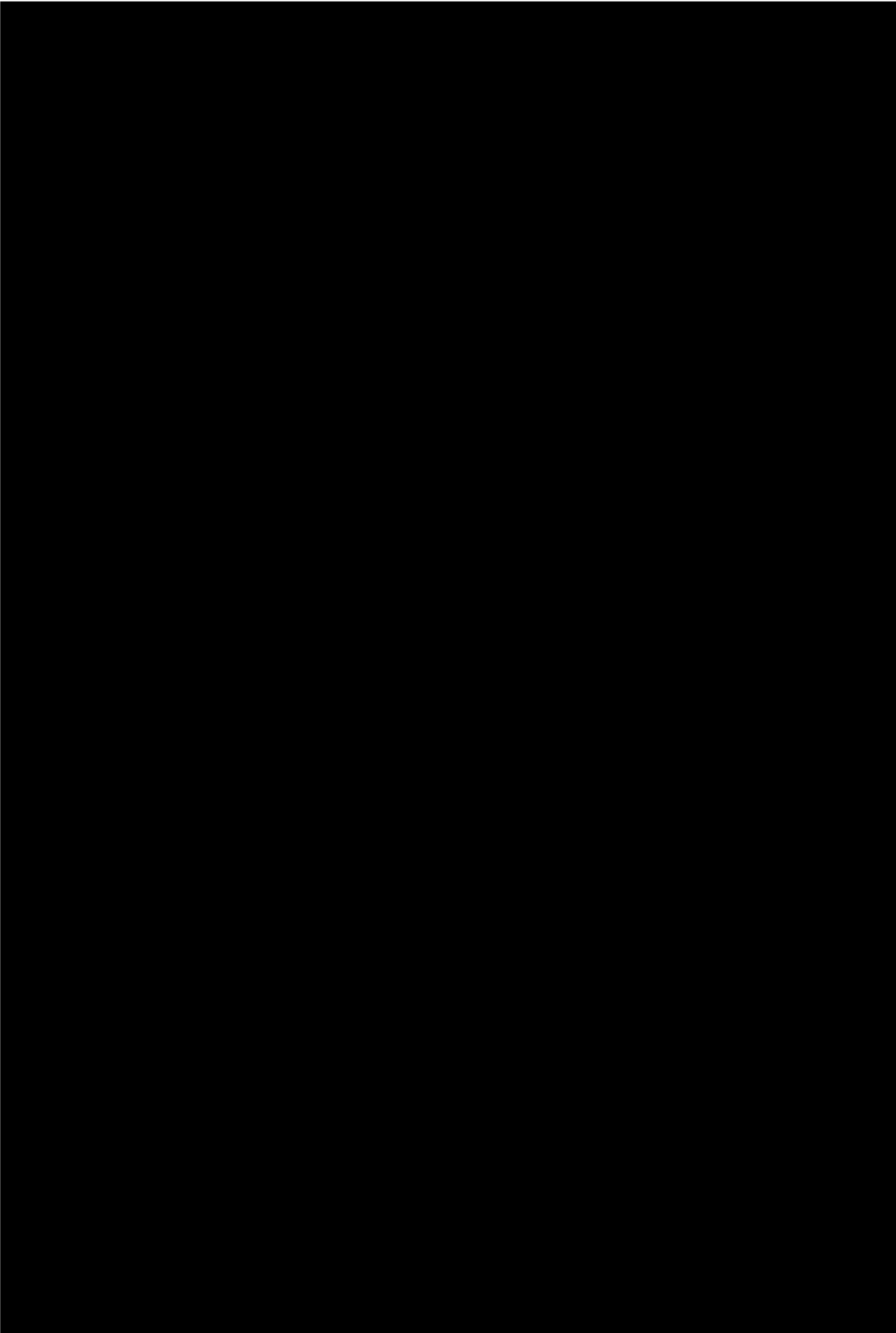
VB – Yeah

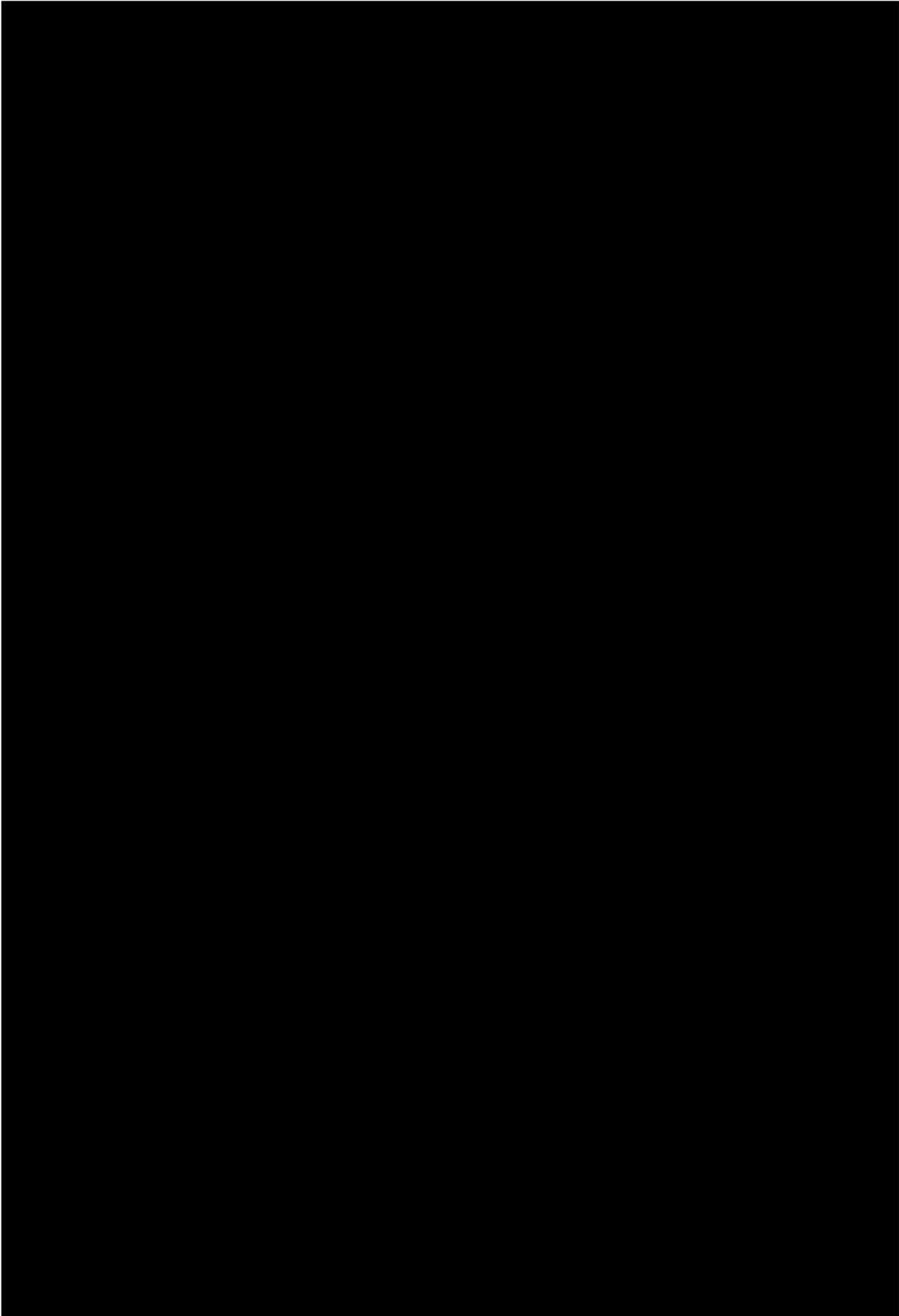
PI – Obviously – but the actual design of that and the implementation of it sits wholly within John Breeden's remit

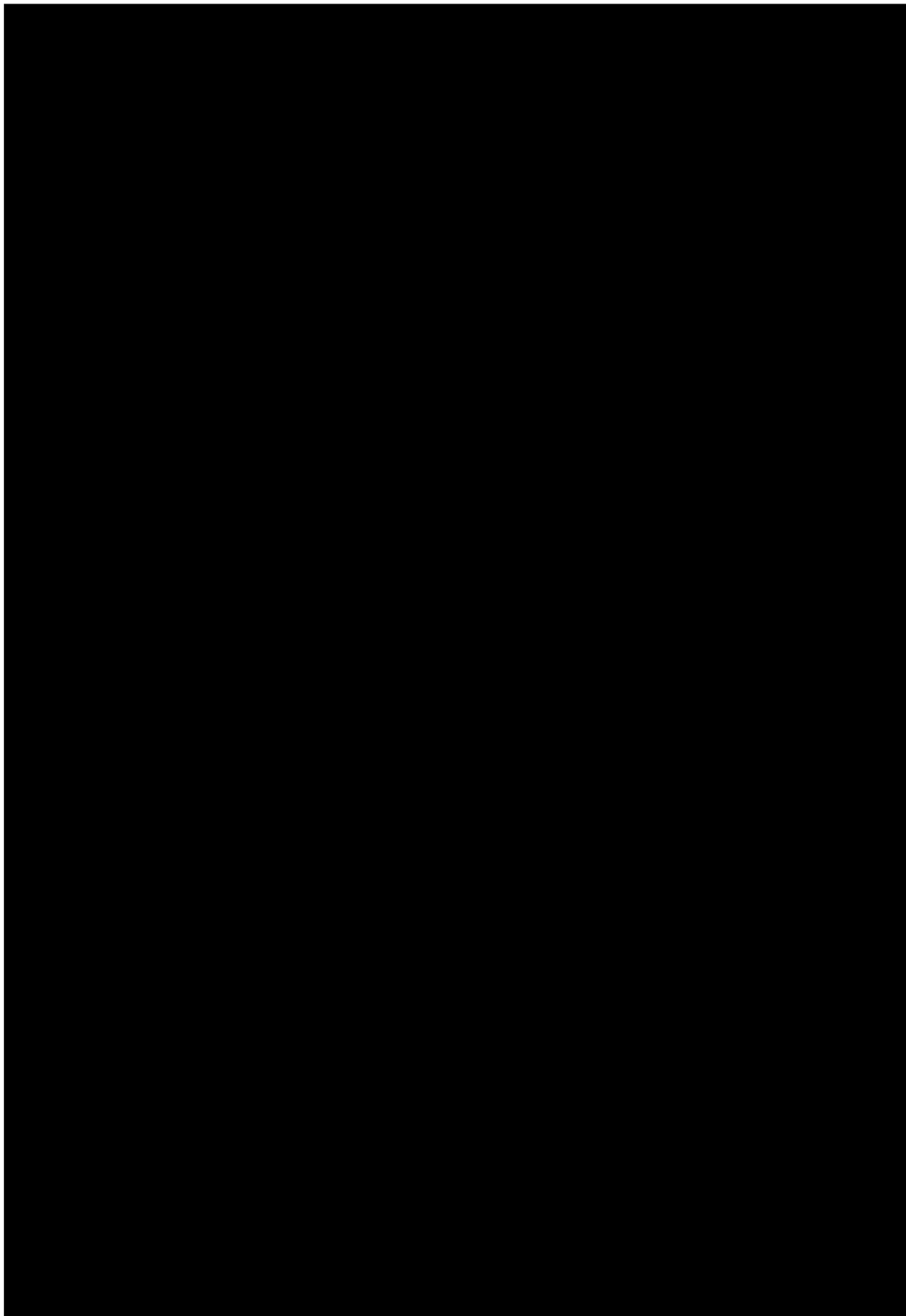
VB – Ok





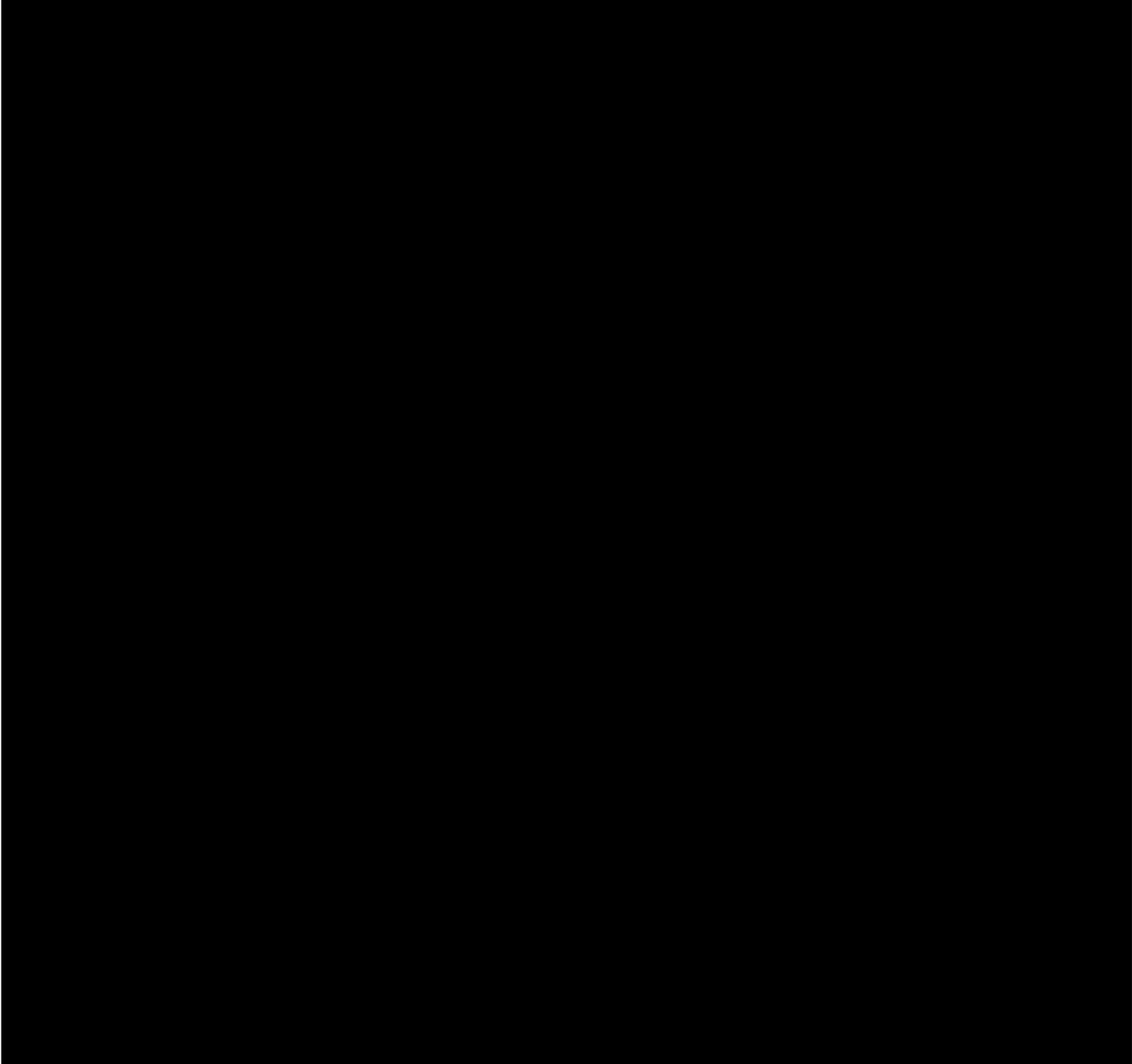






VB – I think that one might have been yeah.

PI – So, yeah probably getting off the point of this we were talking about advertising that.



VB – Wow

PI – Today, you'd be lucky to get one times

VB – Ok

PI – So if the number of branches is halved and the value has reduced in that way from three to four times to one, what does that tell you about the value of the post office category in store.

VB – Yeah

PI – It's fallen off the edge of a cliff

VB – Yeah

PI – That's not necessarily our fault because the government have made various decisions regarding how you can obtain access to benefits.

VB – Yeah

PI – And it's just not such an attractive prospect.

VB – Yeah

PI – You know. [] (2 of 11 – 21:33) as a prospect is not at all relevant to what we're talking about but it does.

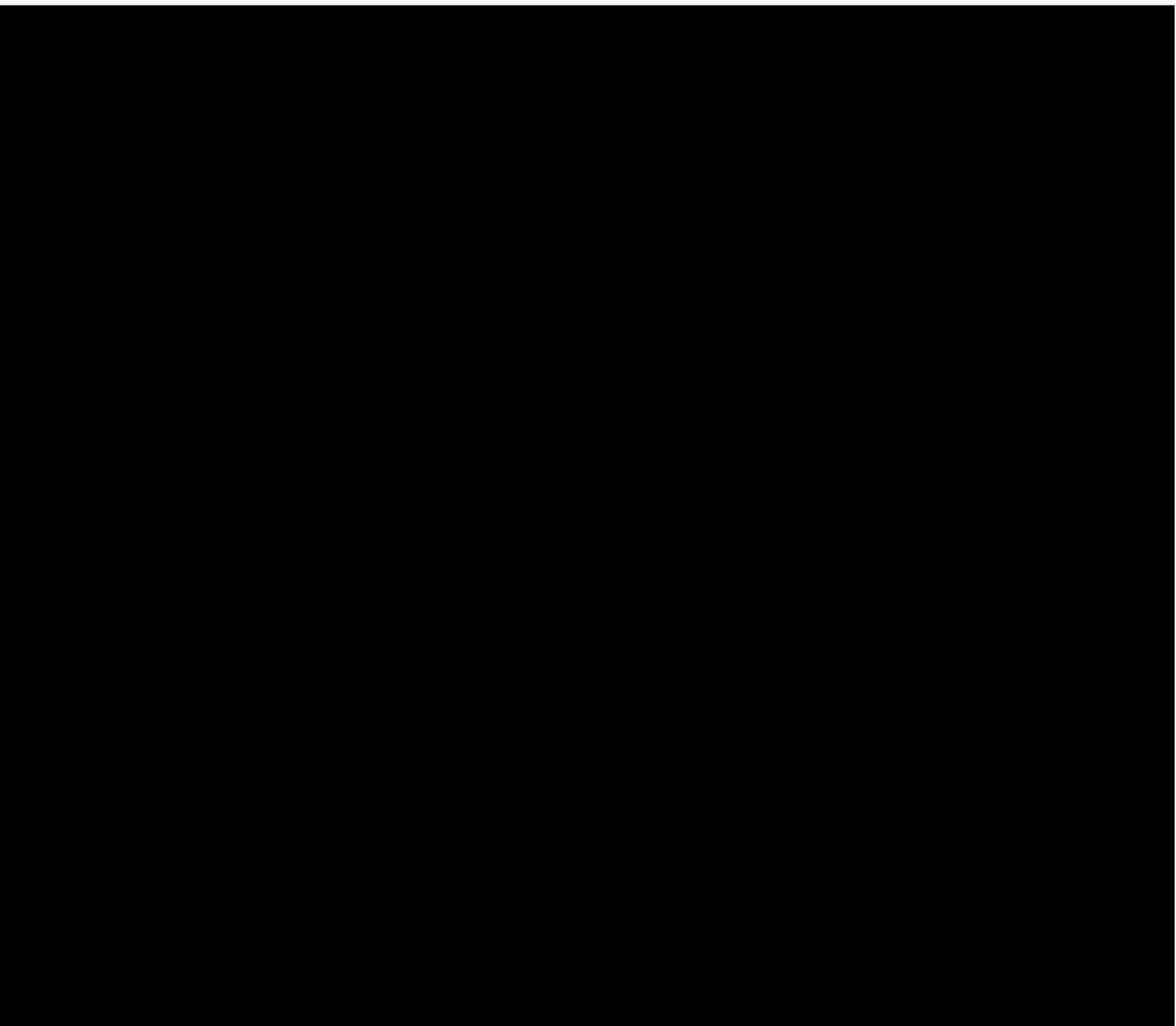
VB – Well I think it well I think it's useful to flavour basically

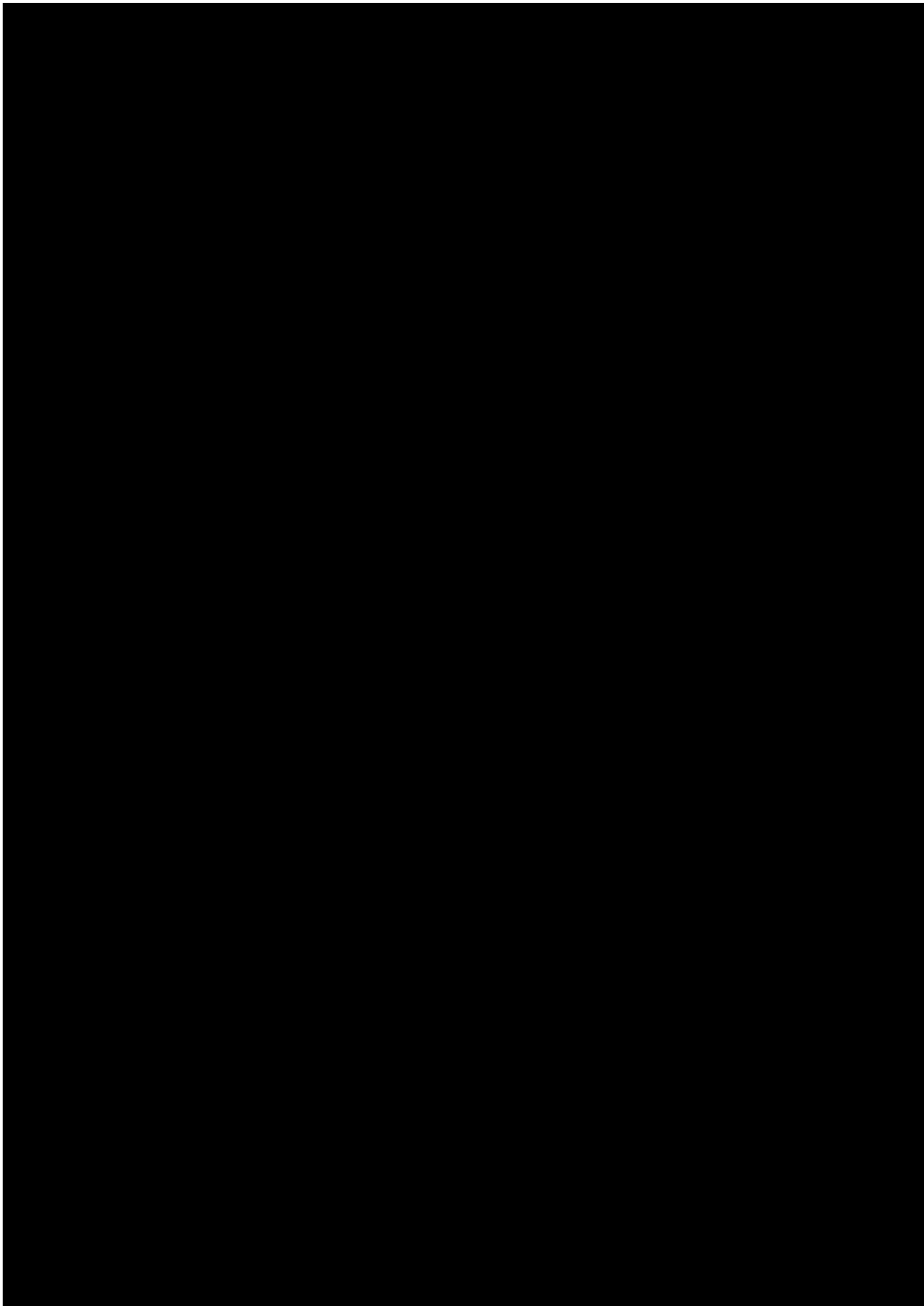
PI – Yeah its context the history of the post office's status, but to get back to the advertising er you know if a postmaster says you know I'm I want you to advertise this then we do.

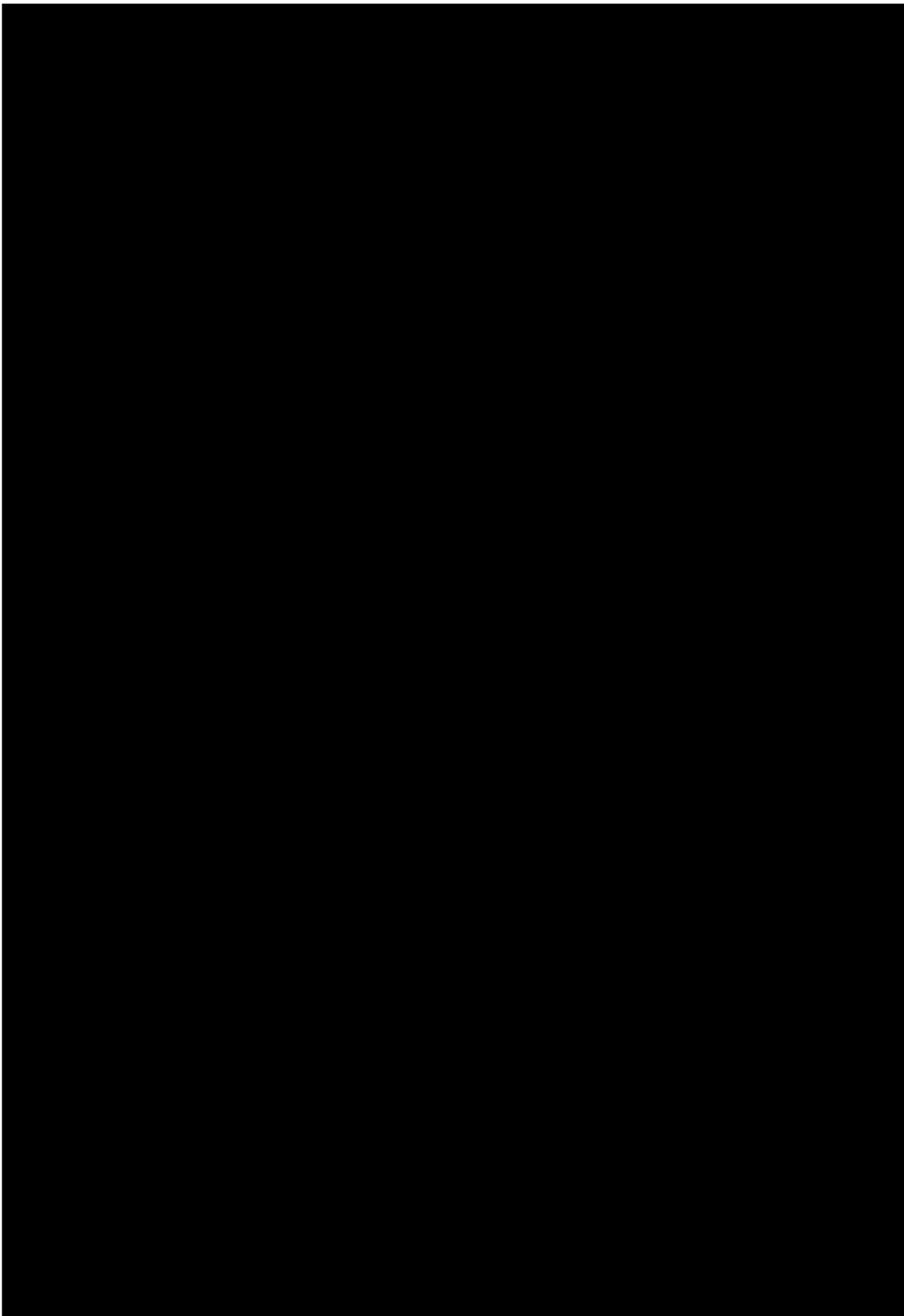
VB – Yeah

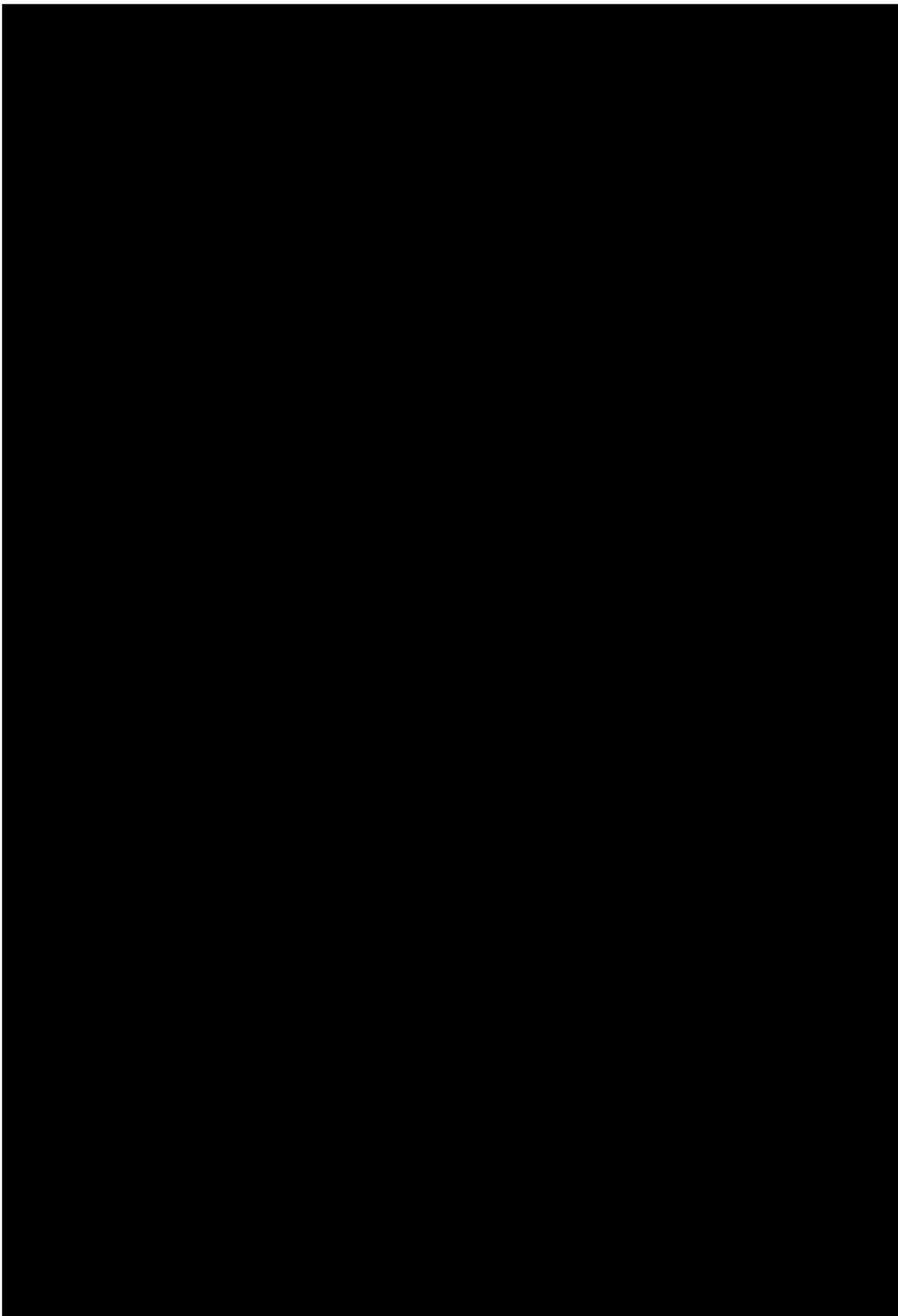
PI – But what often happens is that they will want to leave the industry they will find a buyer for their retail business before they even tell us they want to leave the industry.

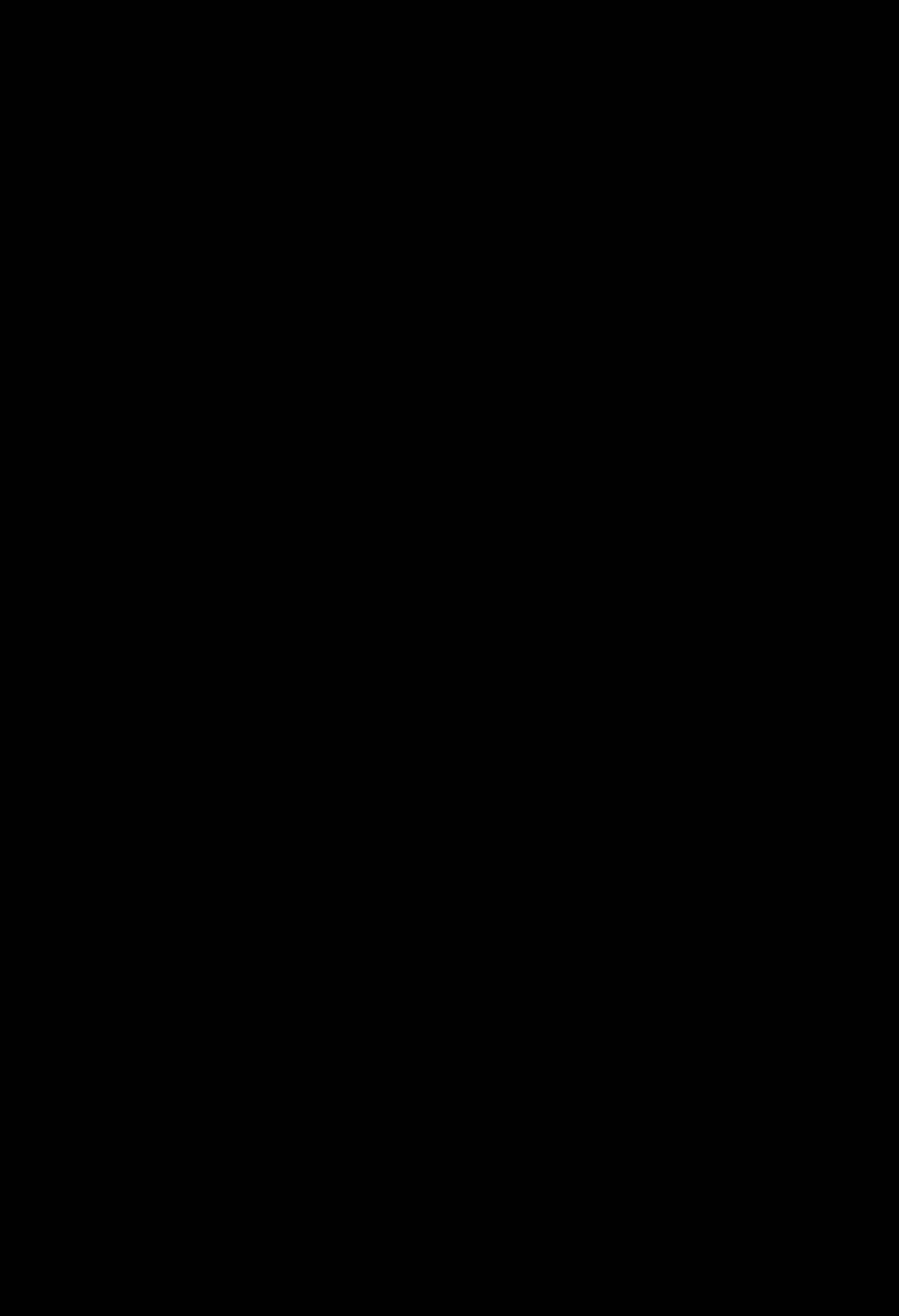
VB – Yeah

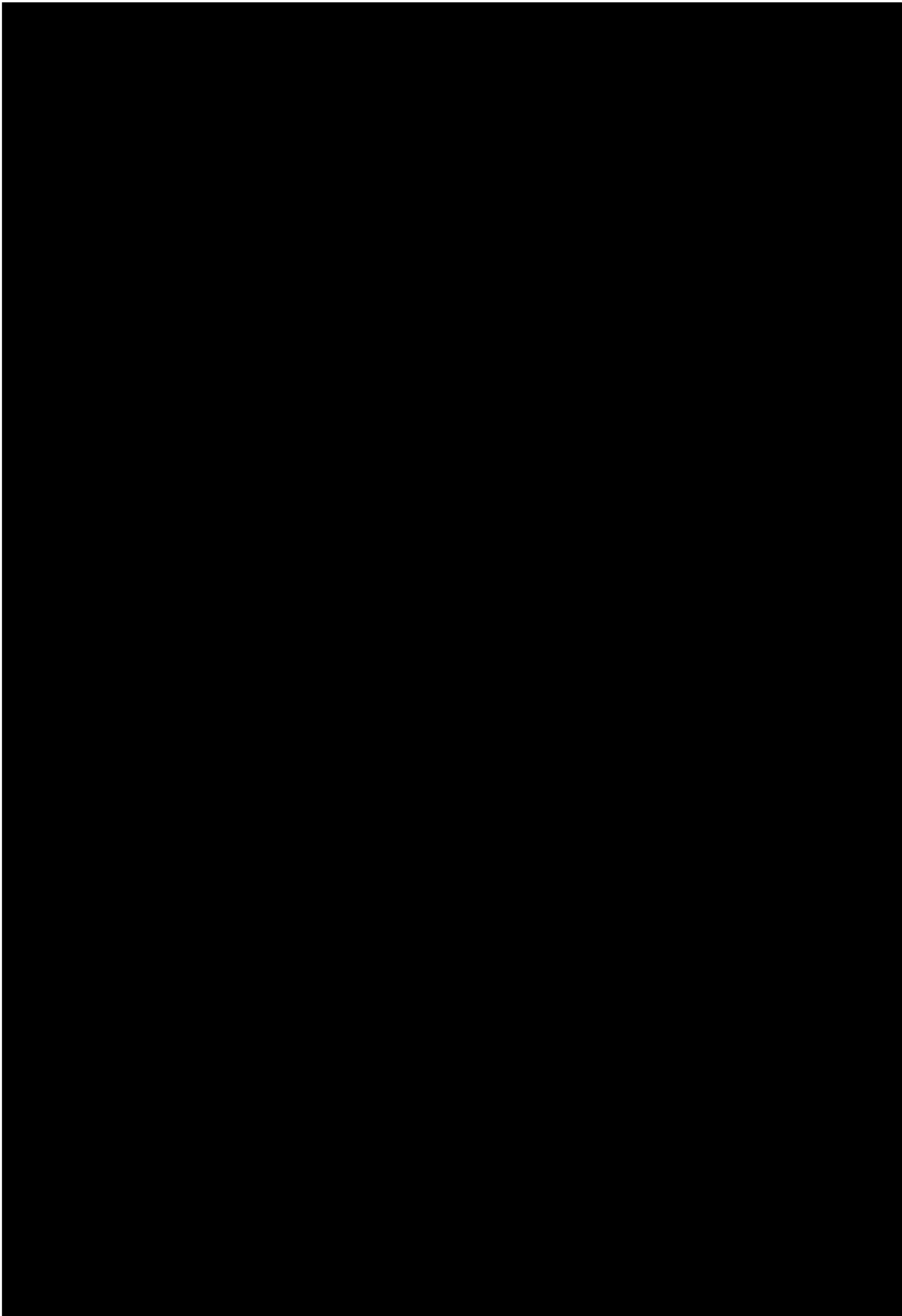


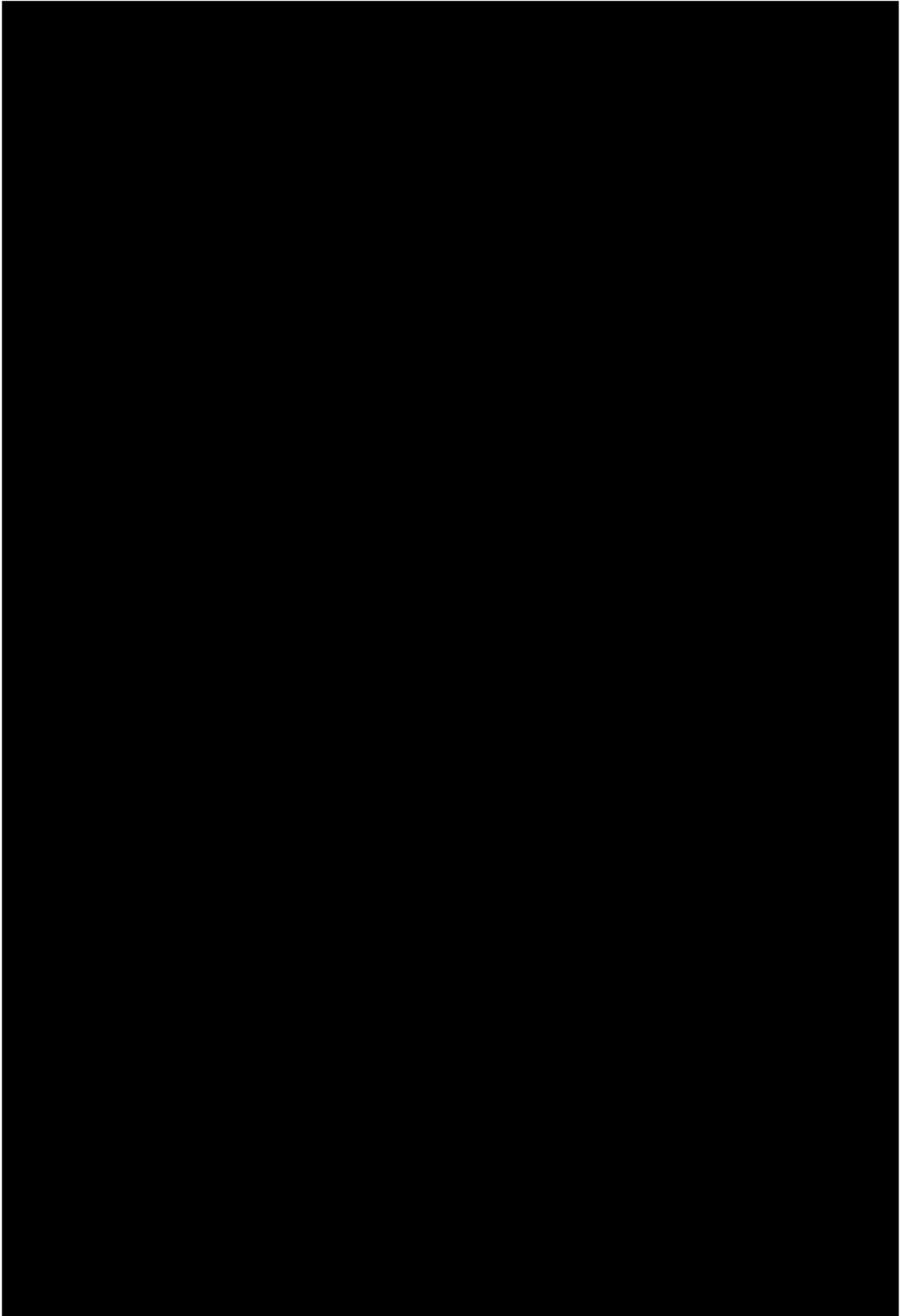


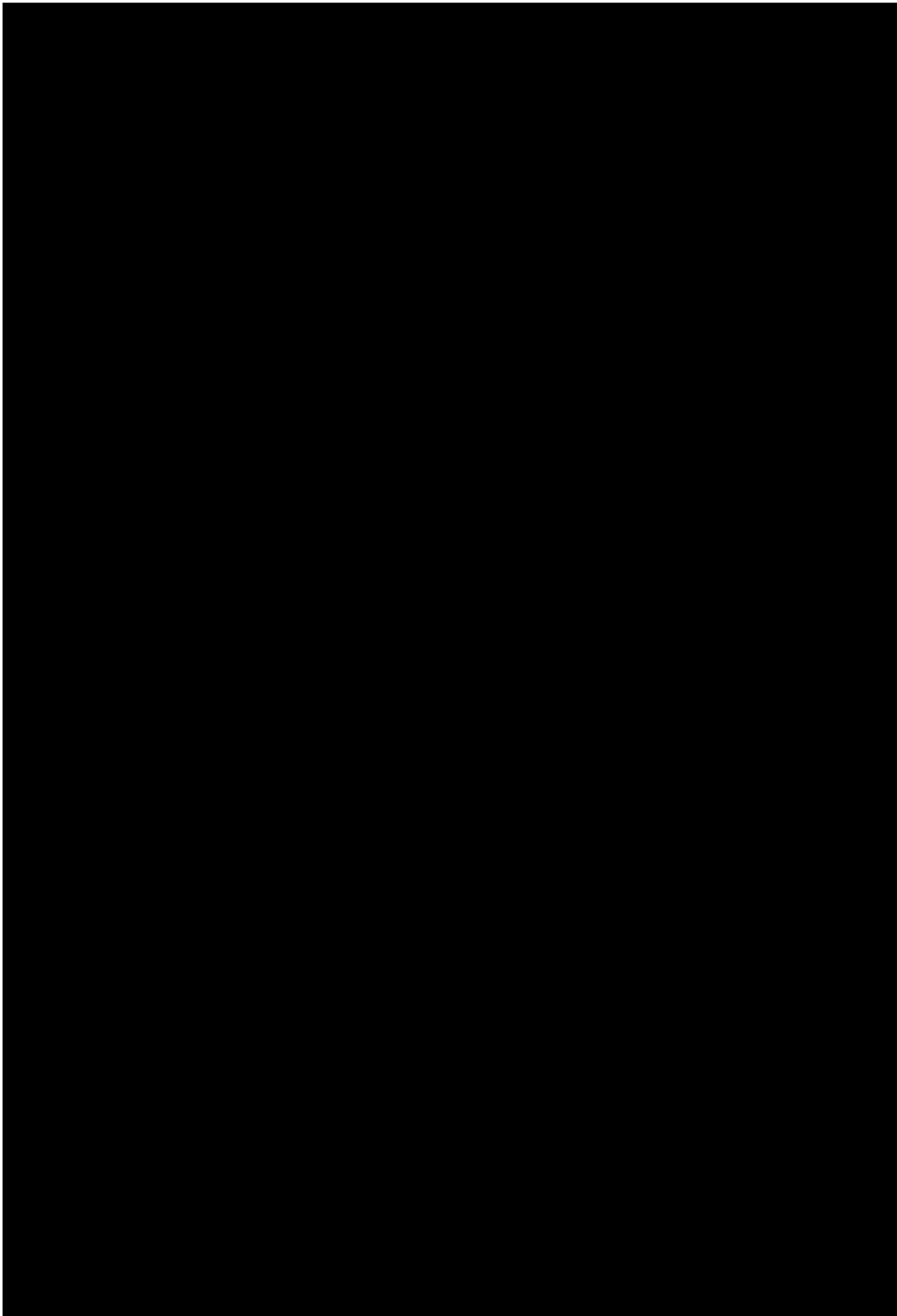


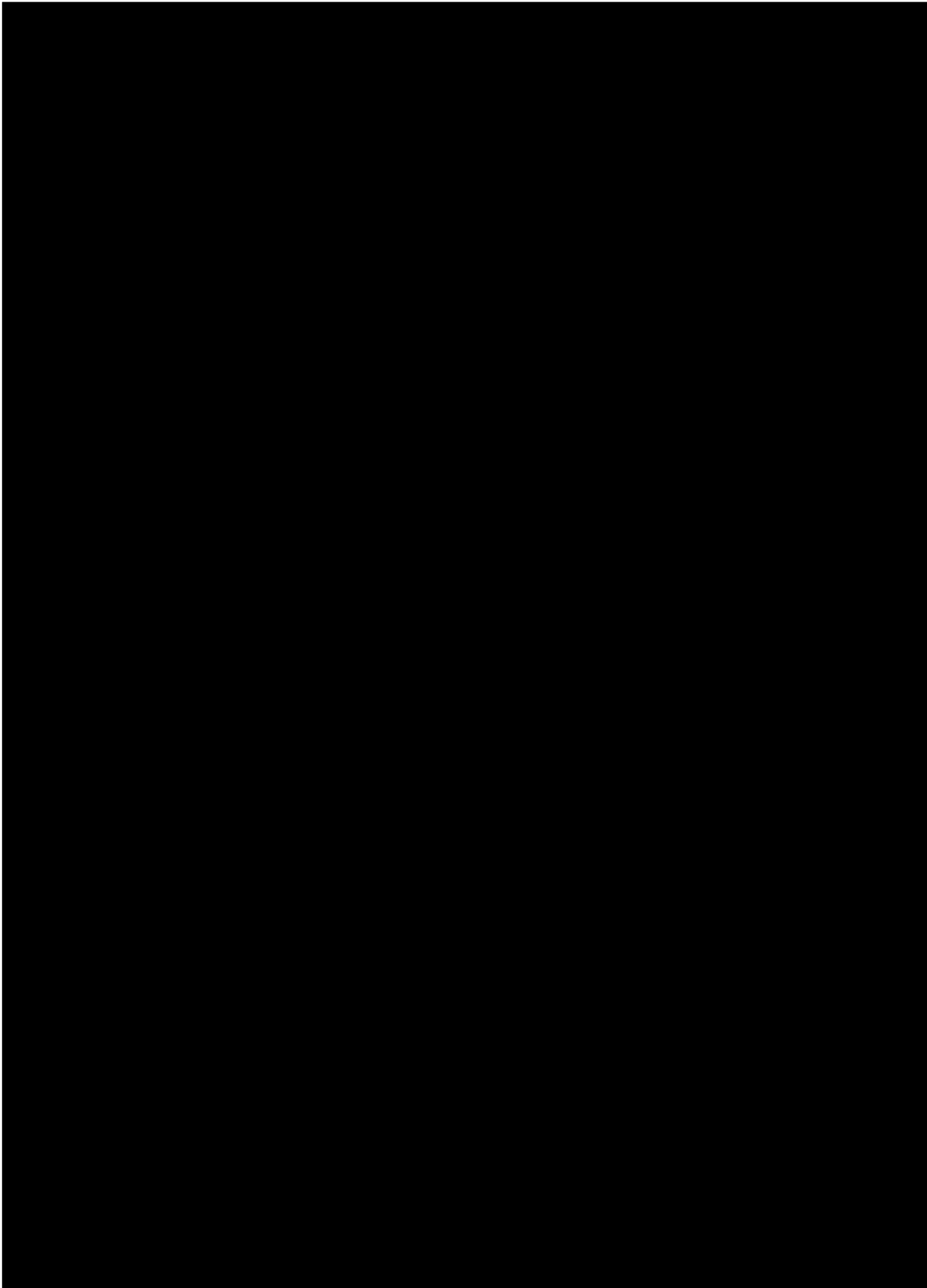


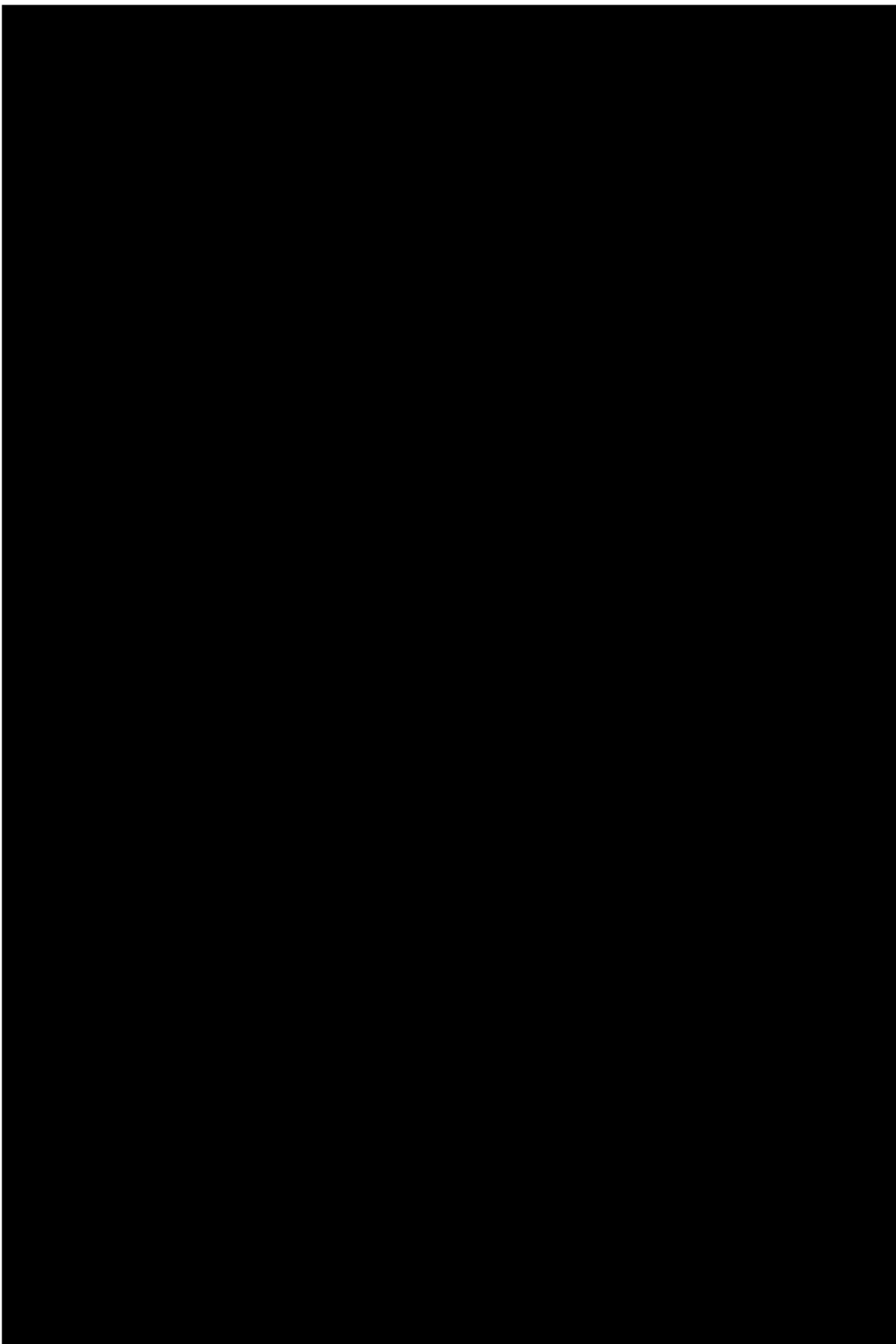


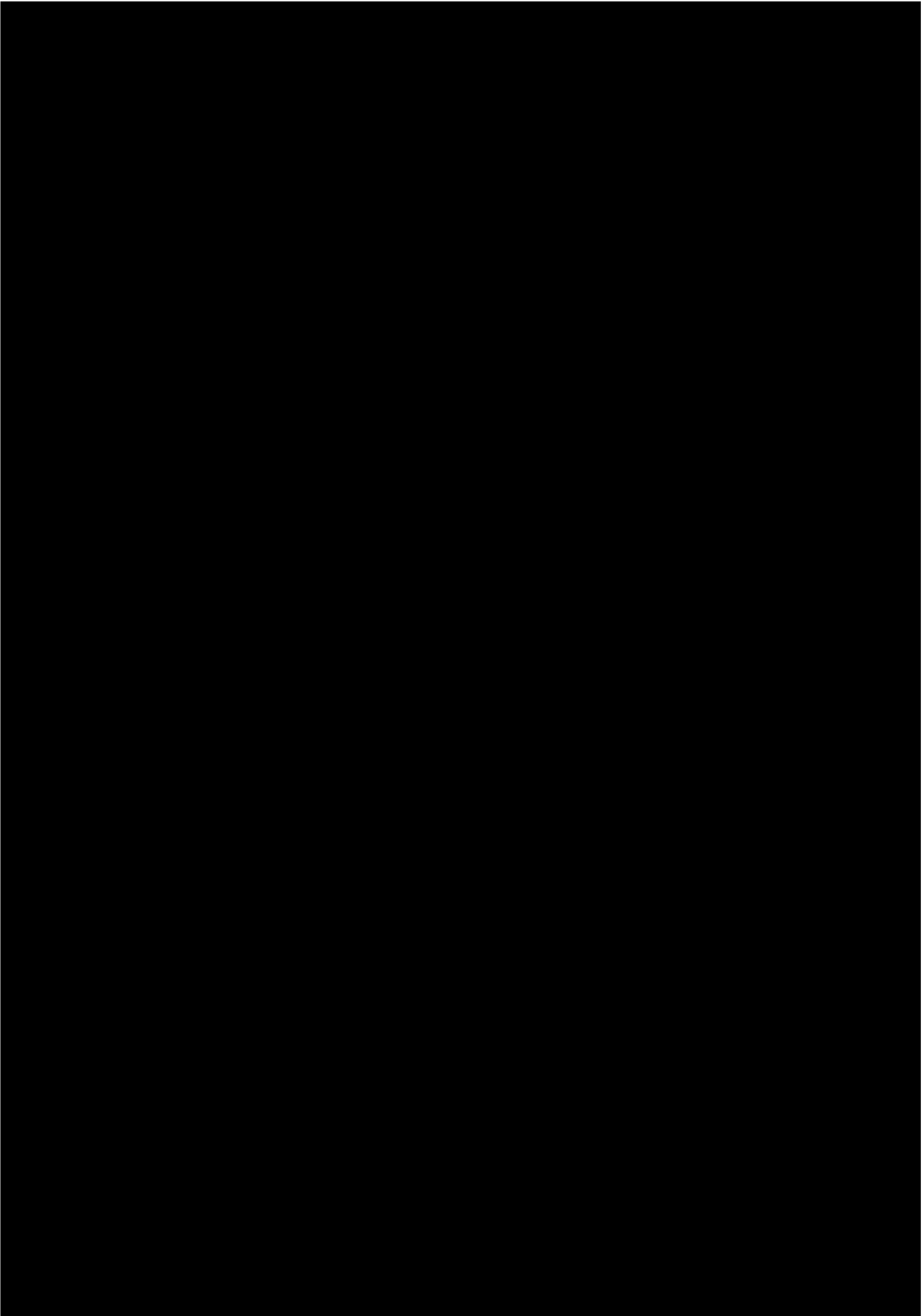


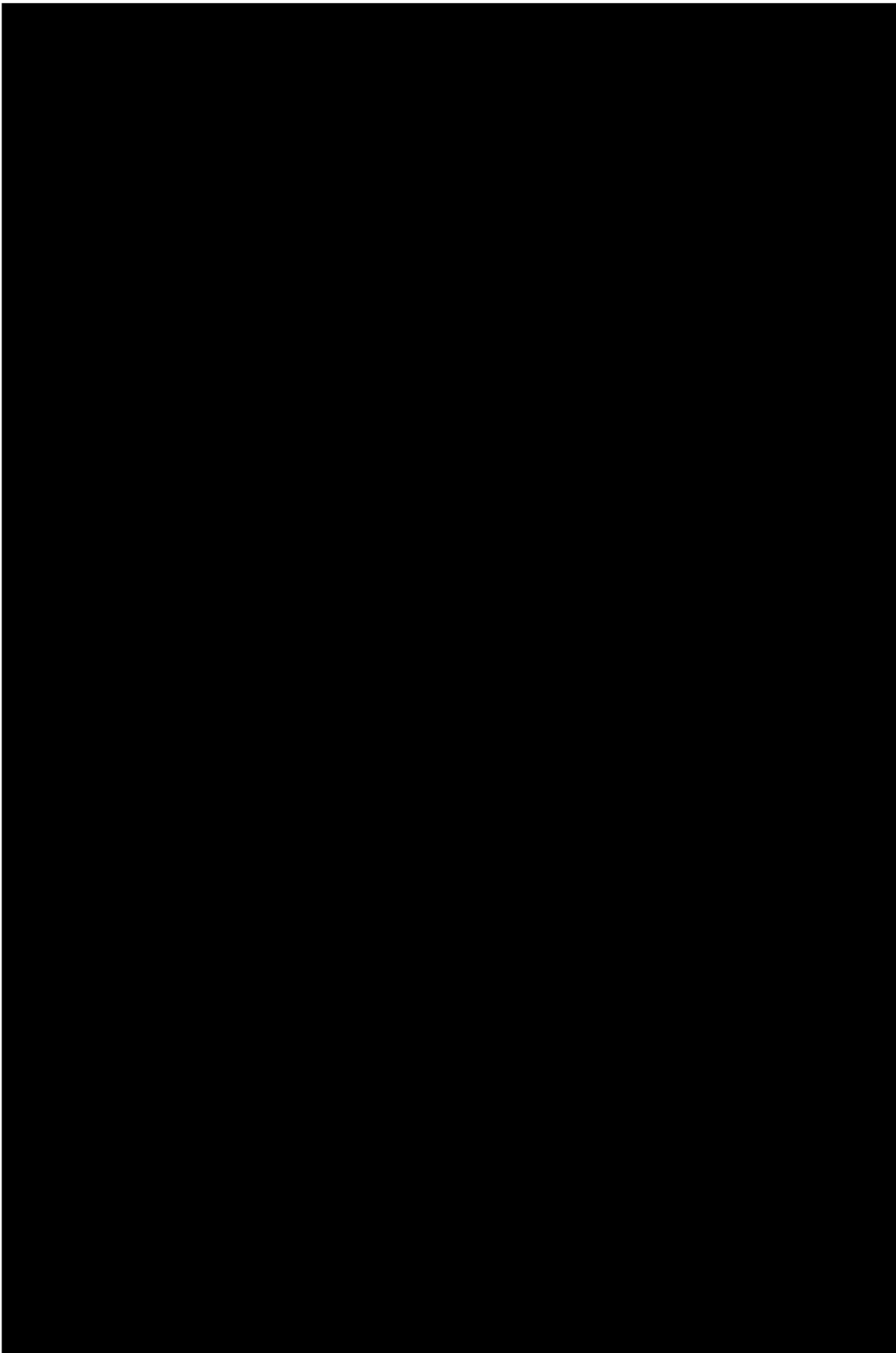


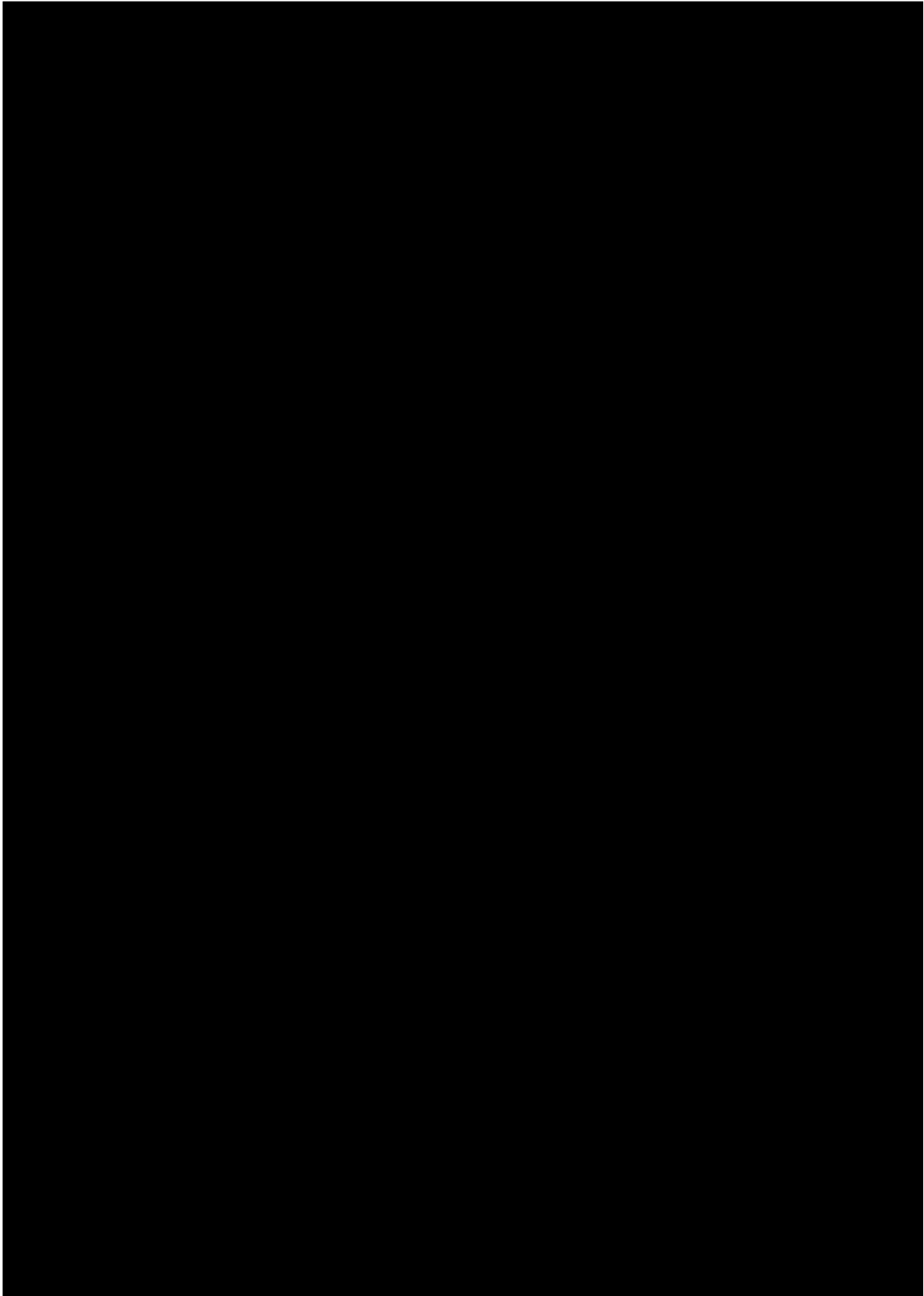


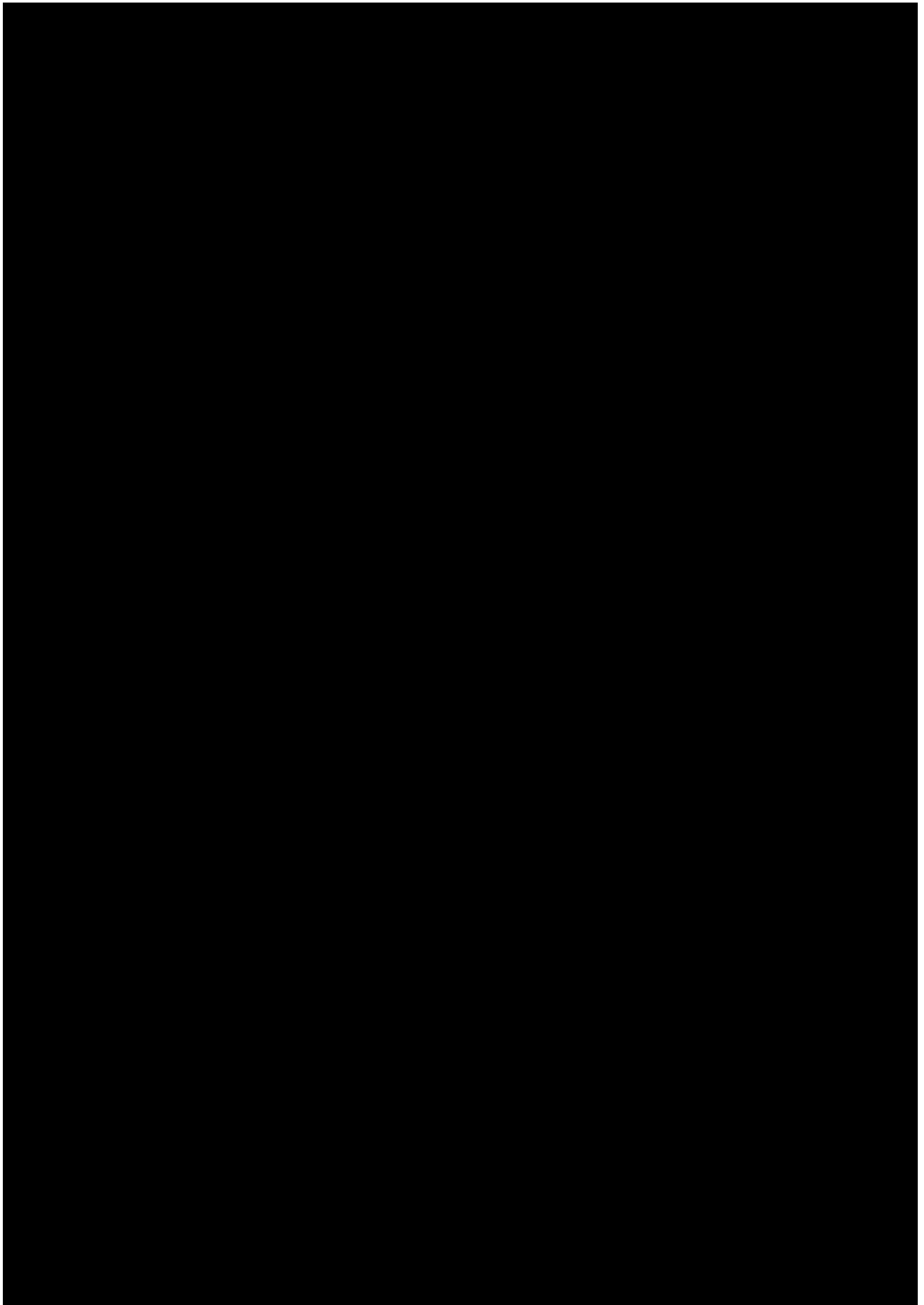


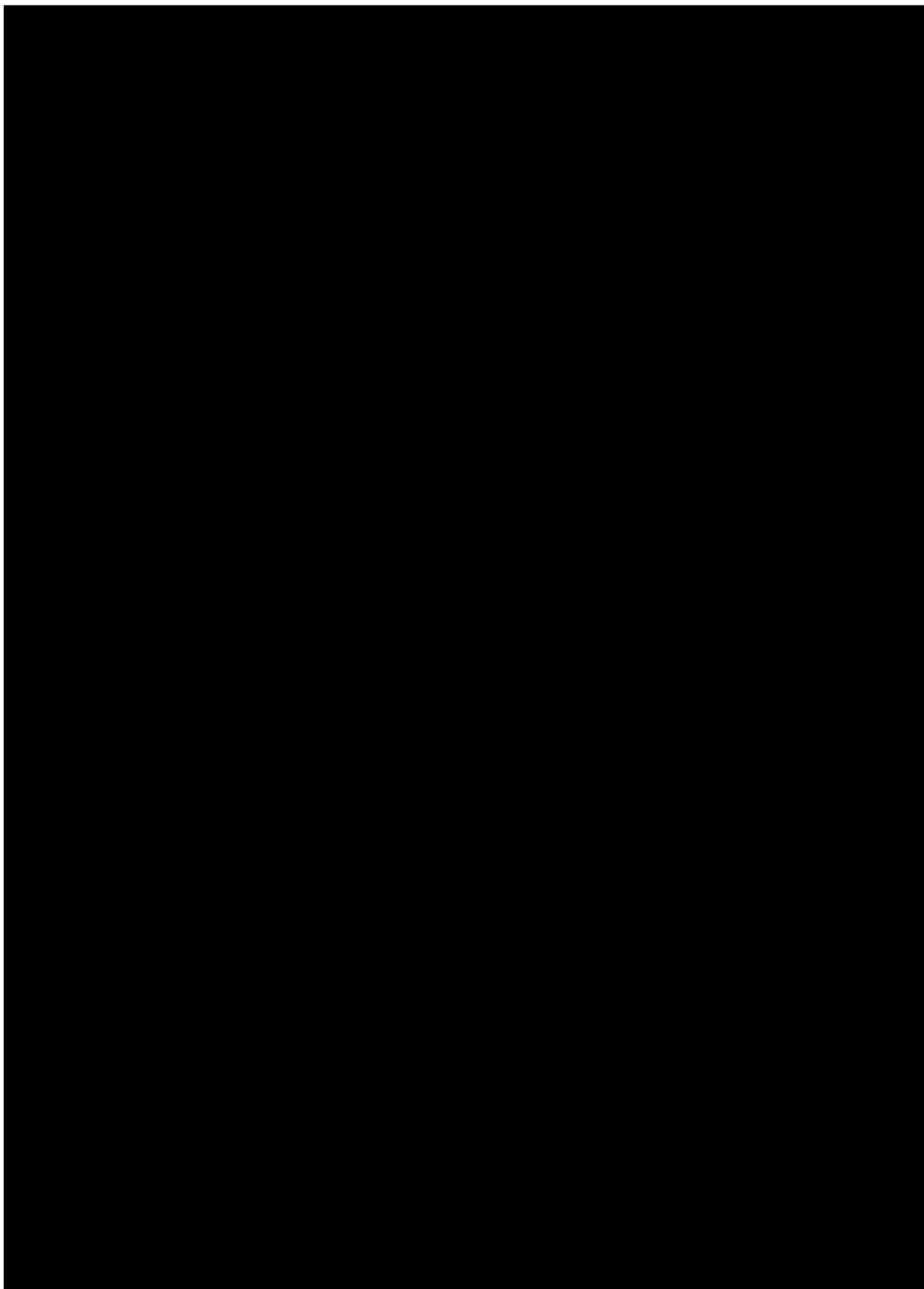


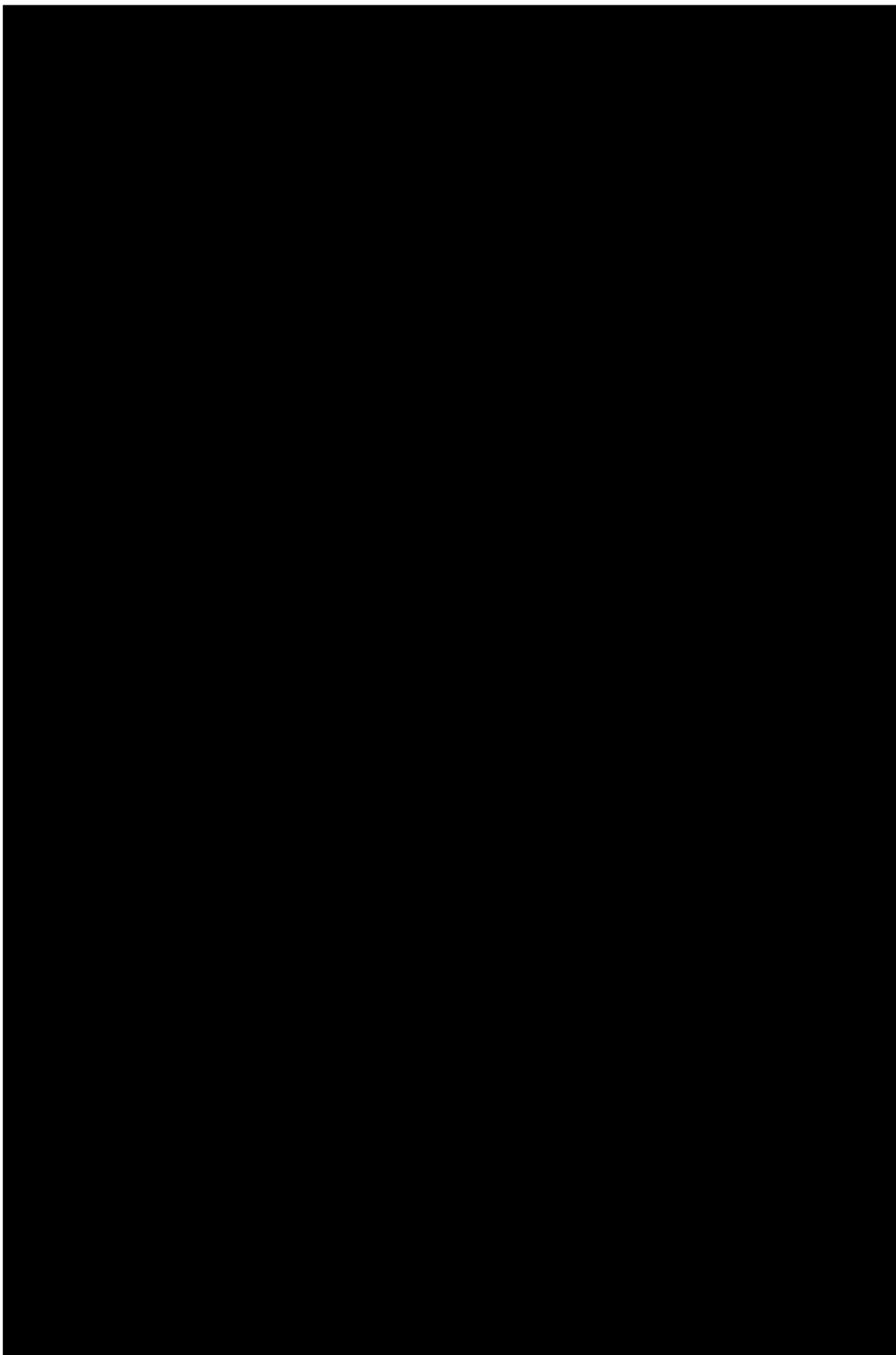


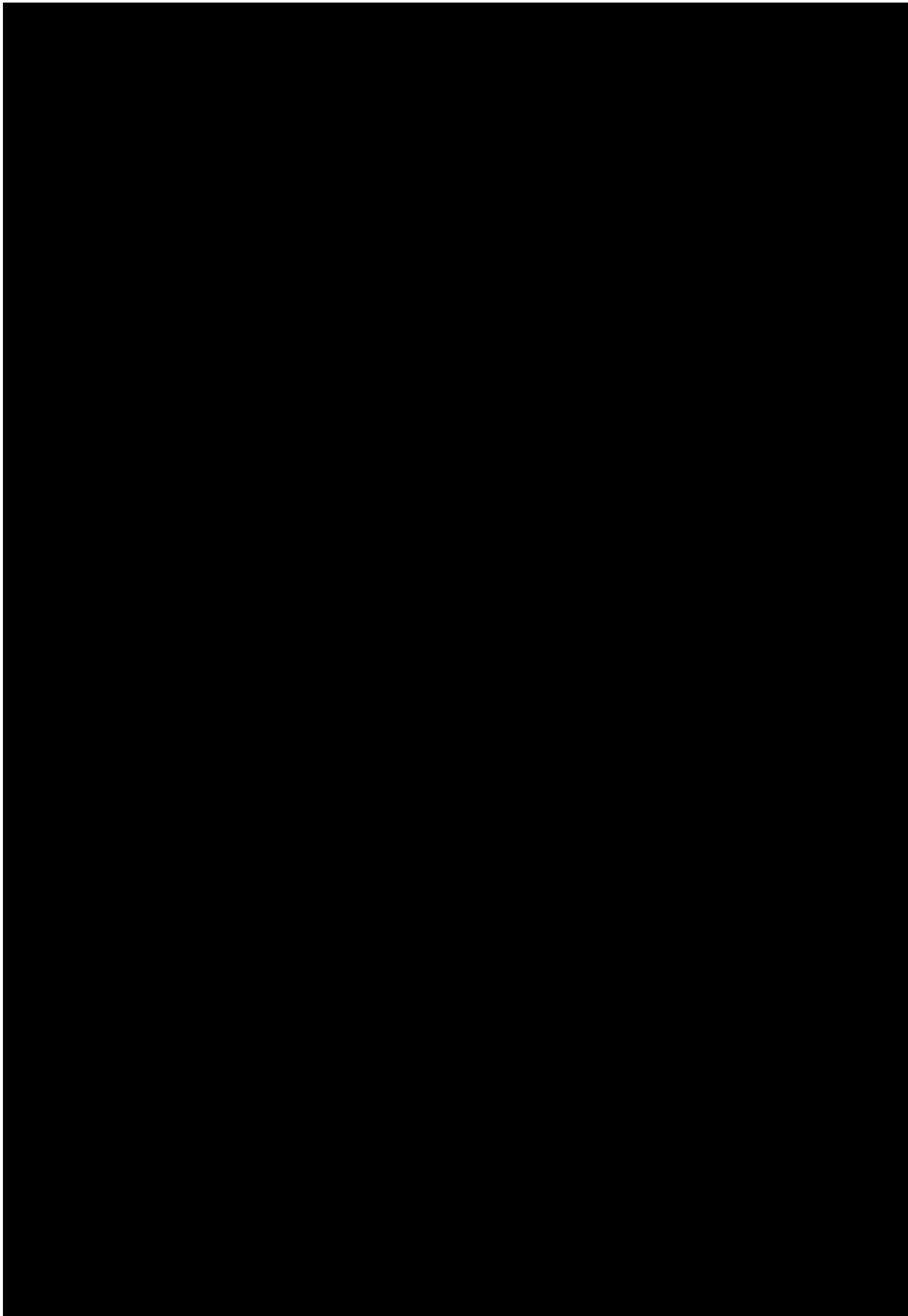


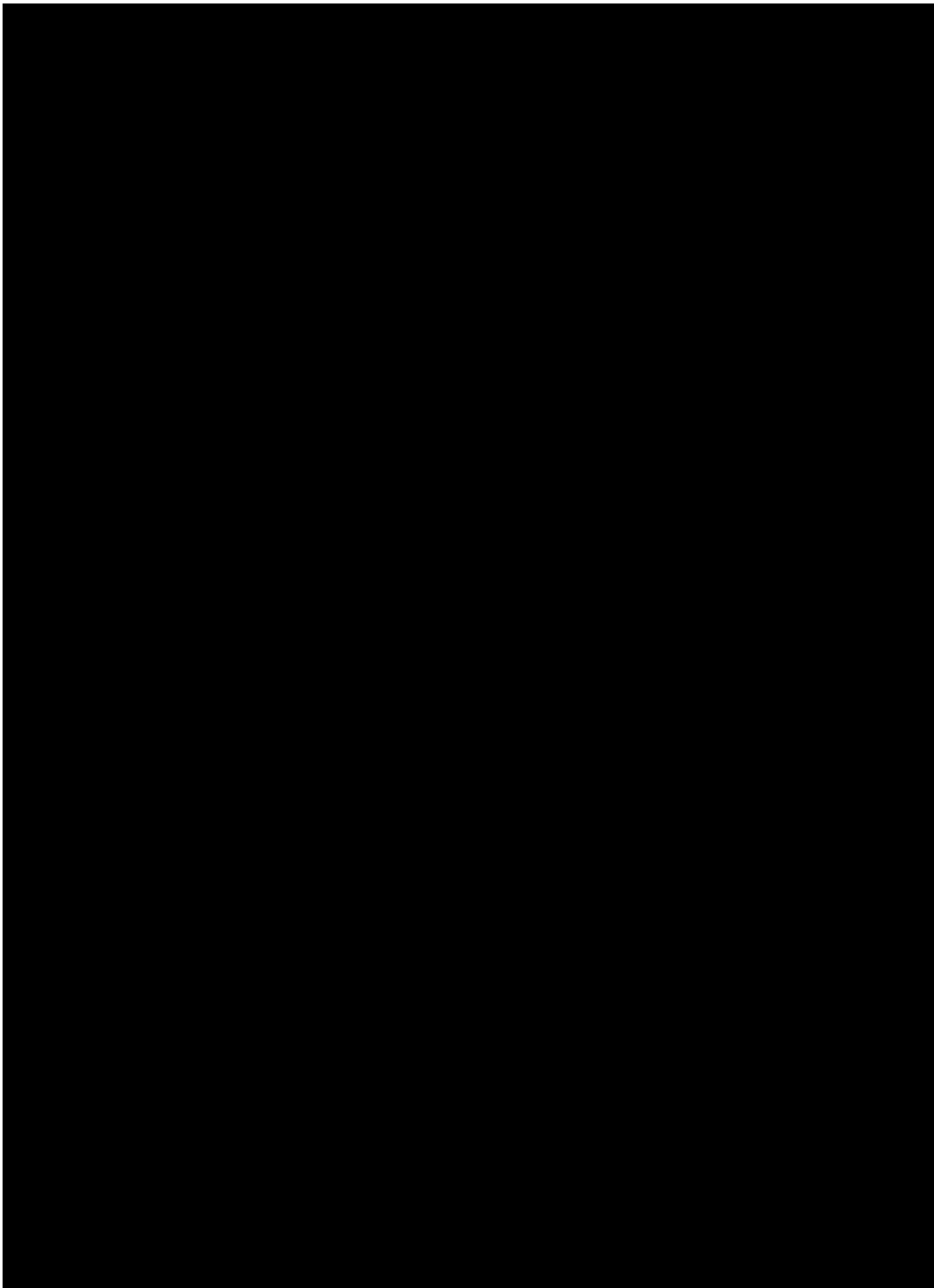












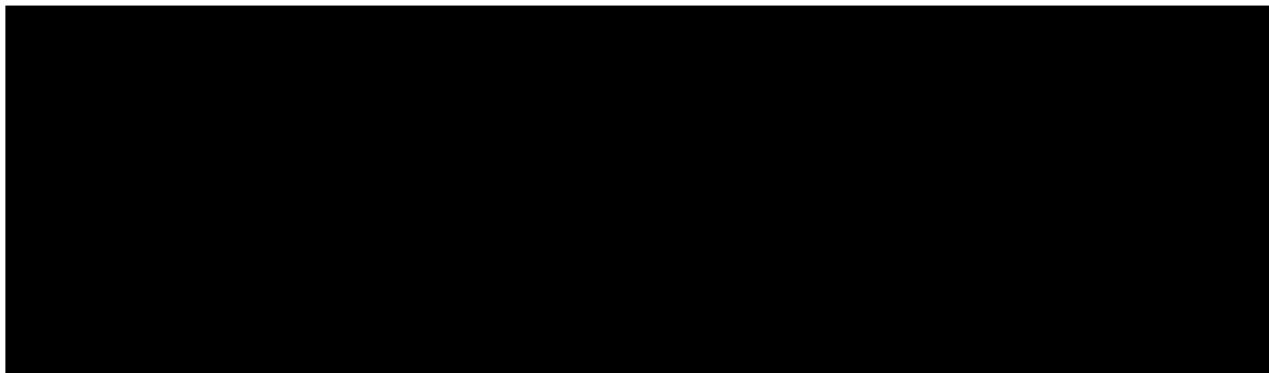
PI: I am happy to go on it is up to you

VB: Shall we carry on until they bring them in.

LRB: It was 1:00pm the last time I was here

VB: Was it 1:00pm are you happy to go on

PI: yeah, yeah I'm sure I'm fine.



VB: How do you spell the surname.

PI: KNOX. So he doesn't own the authorship of those documents because what you have is the business experts or own version control of the documents. From time to time they will publish amendments to those documents and then they are updated electronically so that the postmaster can access the contemporary versions. Steve Fox owns the local and mains post office operations manual. In the Franchise Agreement as you probably know there is a manual and we have never had that for sub postmaster in that way even though there were manuals and booklets this is an Ops Manual we are talking about here. So he owns those and Full Network Development Contracts, they are being redeveloped self-service kiosks with a view, as I said earlier he is trying to publish those electronically but this is very low level operational instructions. So this, you know push button A, bush button B that sort of thing. It is very low level stuff. Useful telephone numbers. So in the Into Contracts all the sort of boiler page stuff and you know the material and stuff is in the Standard Conditions in the preface of the contract. And then there is Horizon online help. So there's a help function electronically. So there is I think one of the challenges for postmaster is to keep on top of that and making sure they read the operational publications, making sure their employees read them, make sure they know how to get access to stuff that sits on our intranet site and just keeping on top of, because have such a broad product set, all of those changes. You know making sure they set aside time to read things.

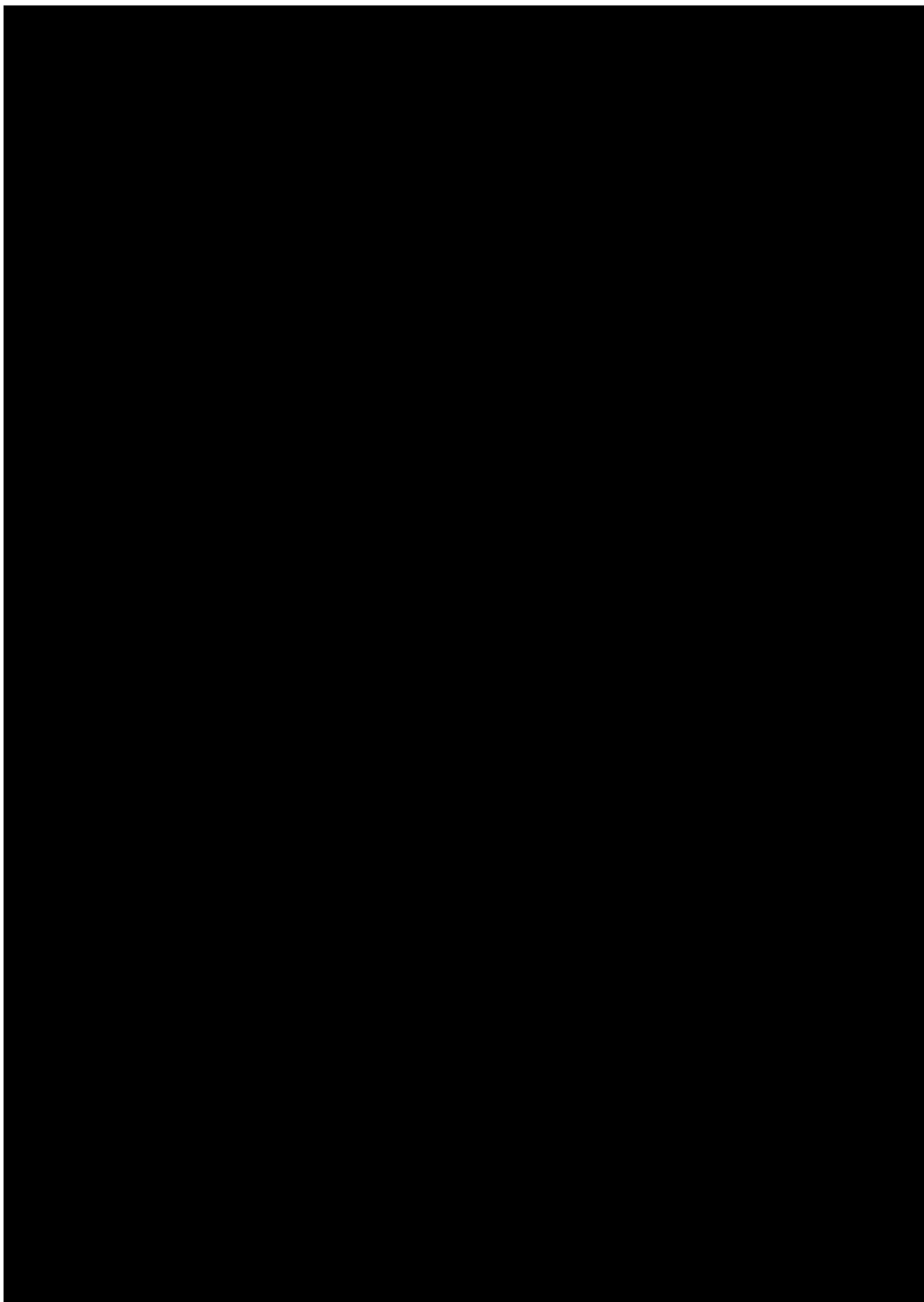
VB: So in terms of your, is there any policy behind those documents that you get involved other than you said Steve Fox.

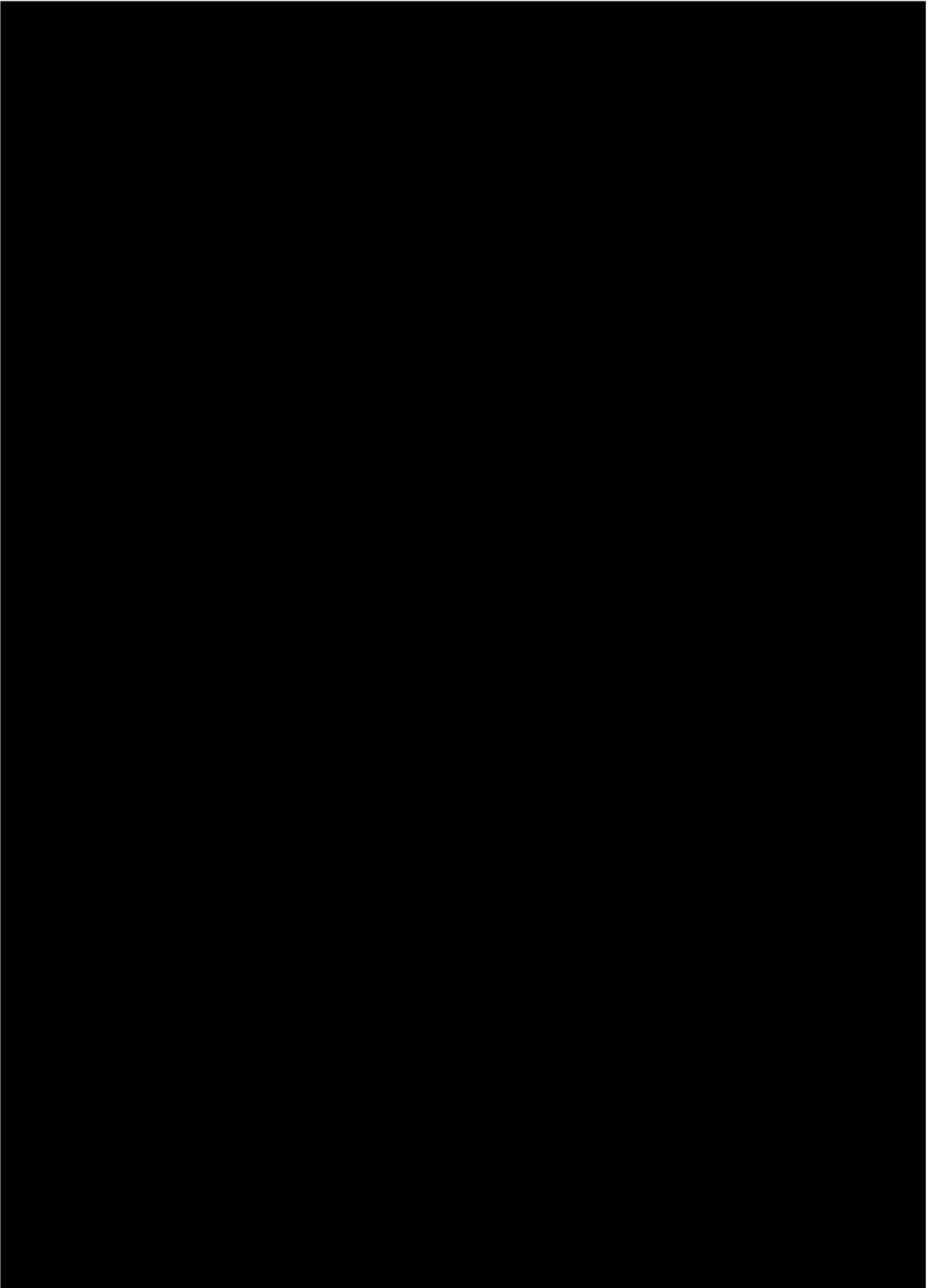
PI: Sometimes subject matter experts will come to me to ask me for their advice but they tend to be the experts in those areas like security don't come to me unless they want to know something specific contractually. You know because its such low level detail in the opps manuals, mains and locals.

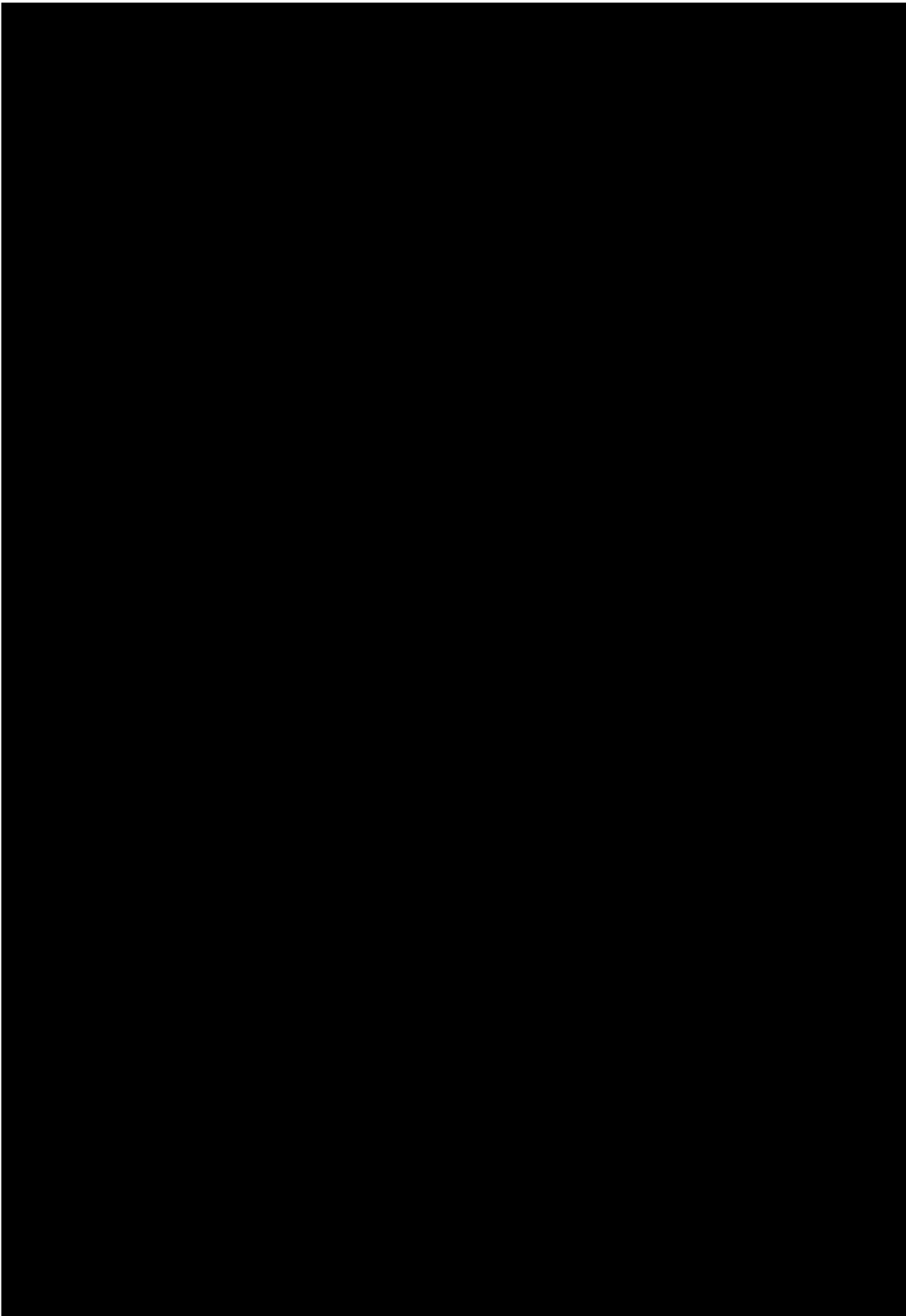
VB: Its not really a policy decision its there.

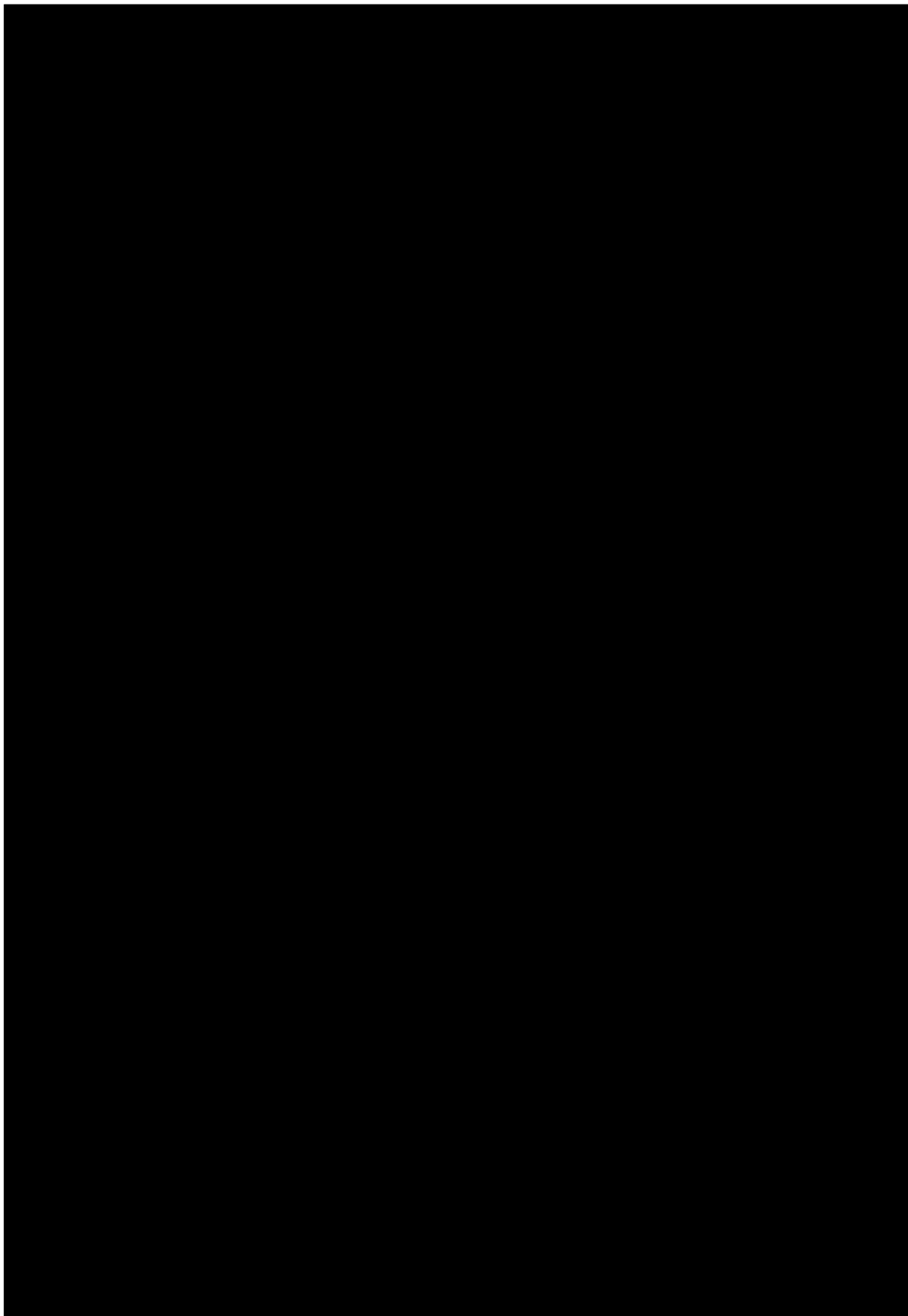
PI: You know in the mains manual there is a sales model about what post masters are meant to do to have conversational selling. That's owned by the sales community. So one of the difficulties we see is there is a big number of stake holes in those manuals. You know just keeping them contemporary as well.

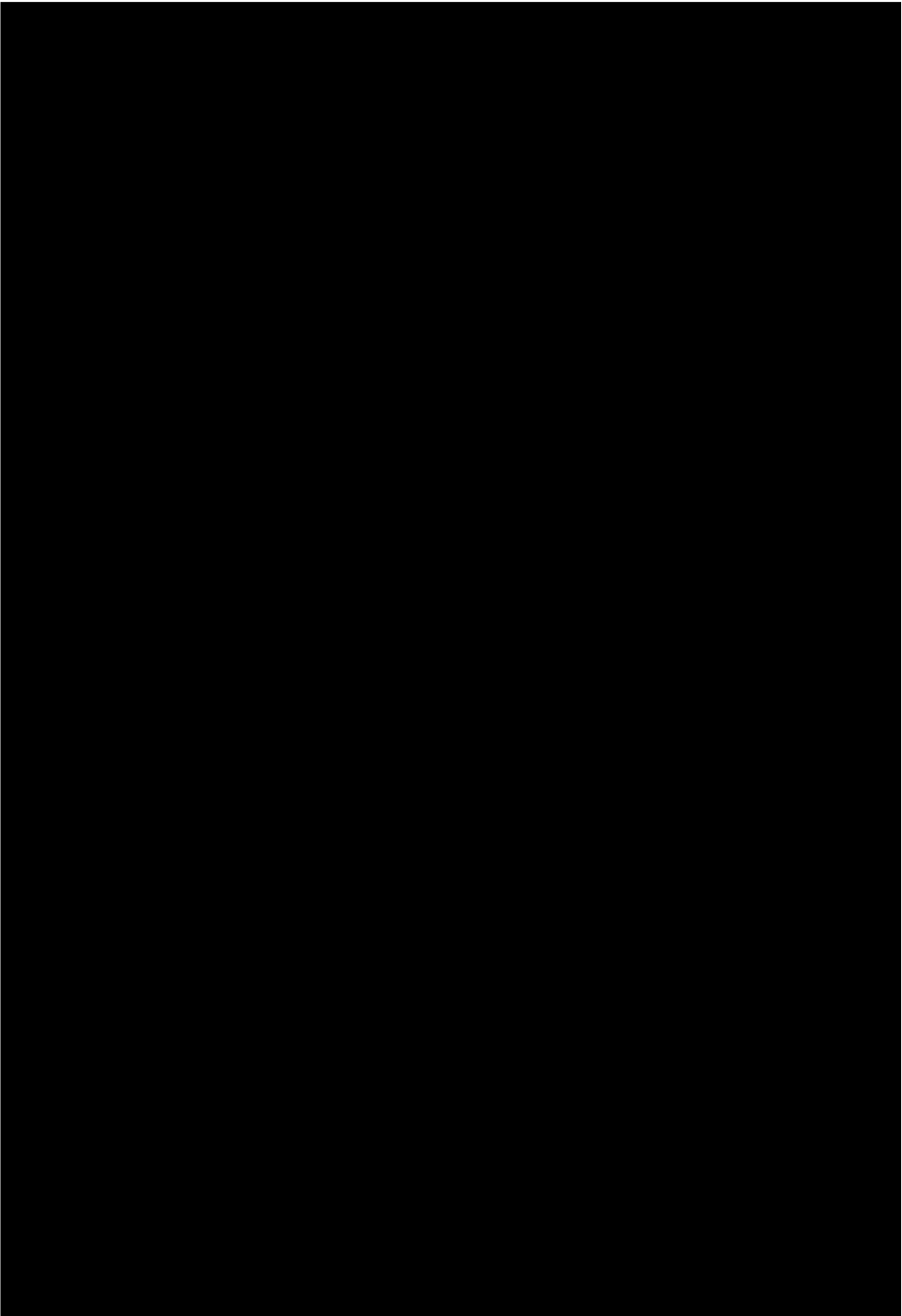
VB: Okay, that makes sense. We've talked a little about contracts and being a standard form I think and why that's important but has that changed over time at all. I'm just thinking as far as I'm aware there are quite a lot of different versions of the mains and locals.

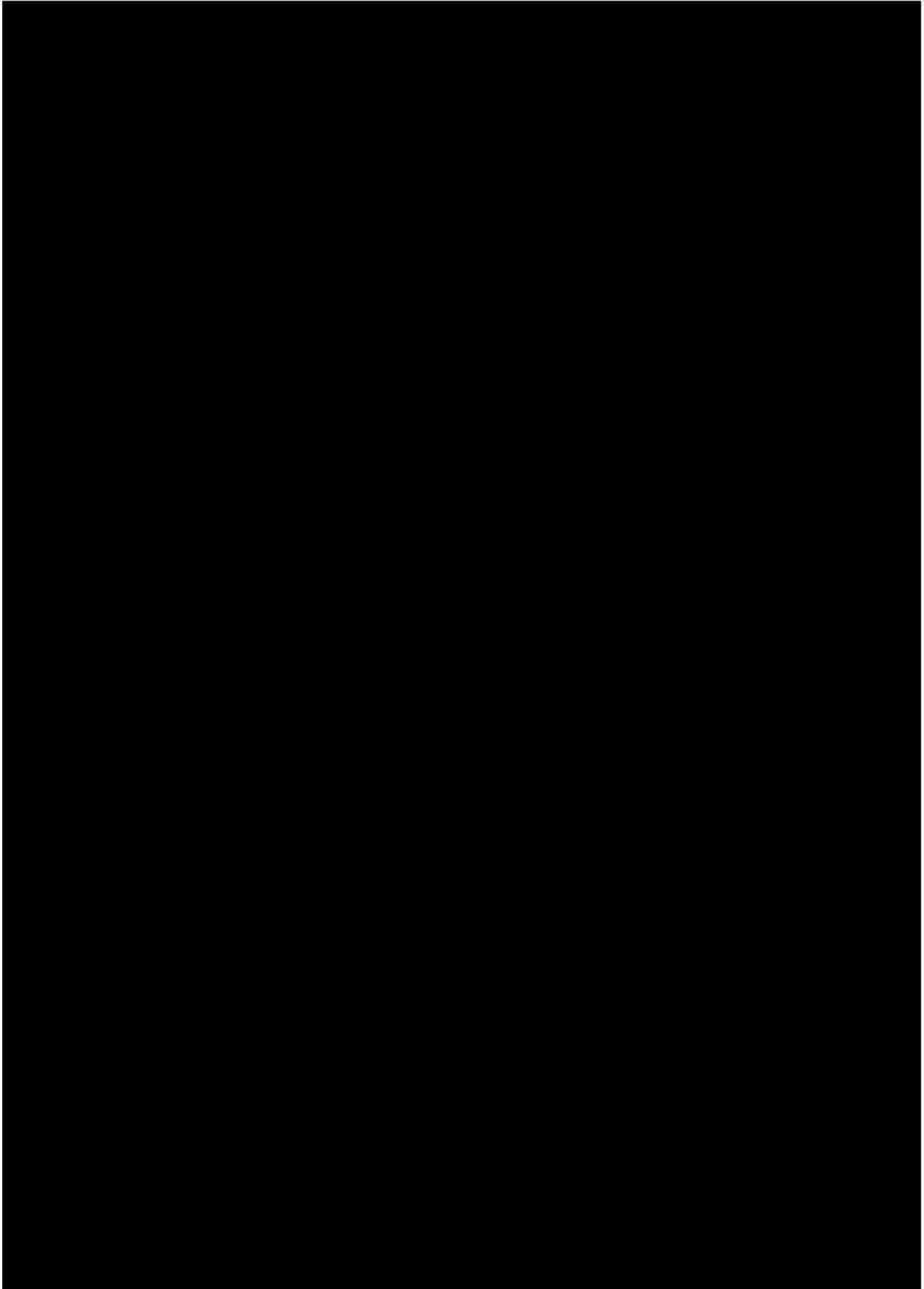


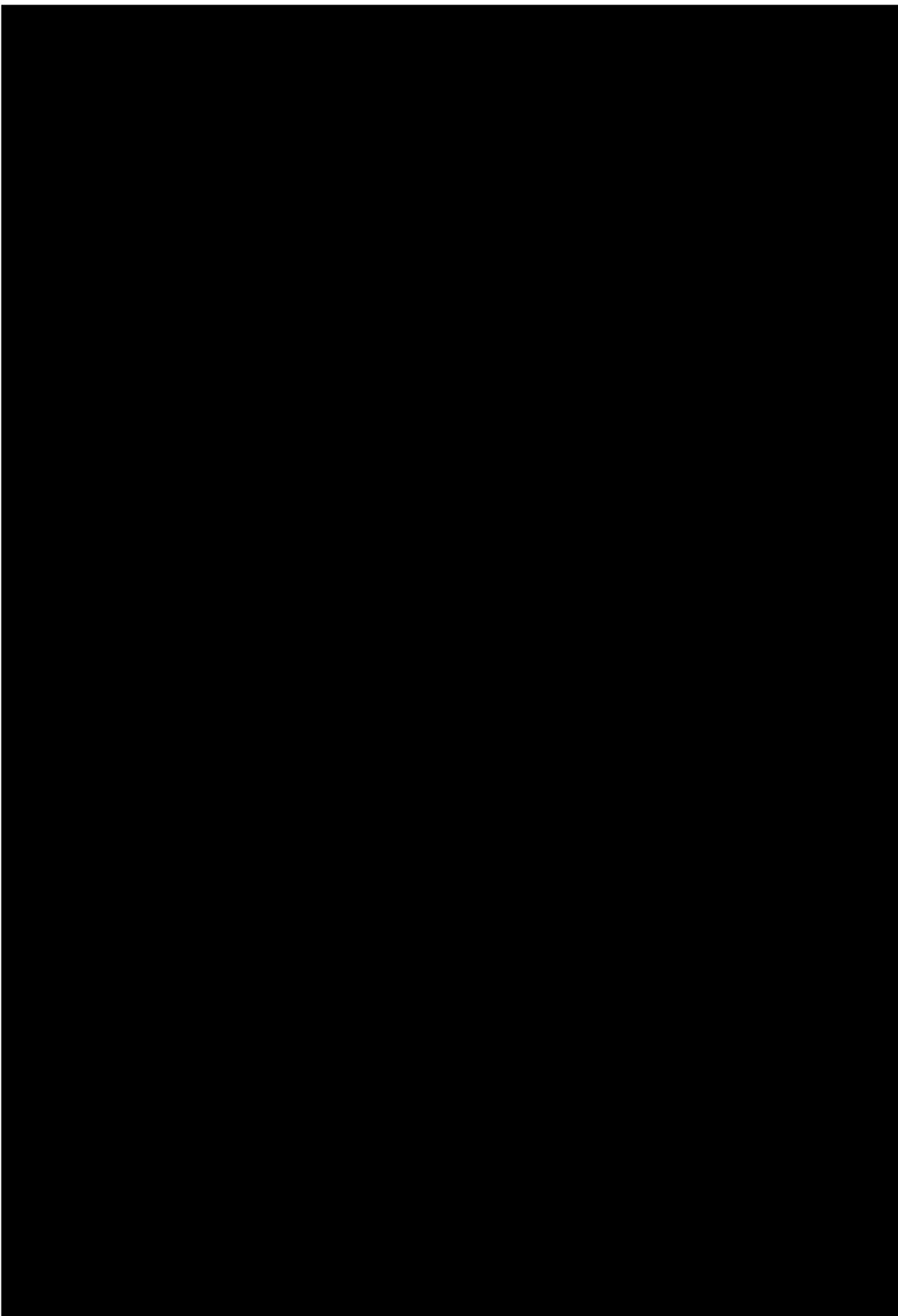


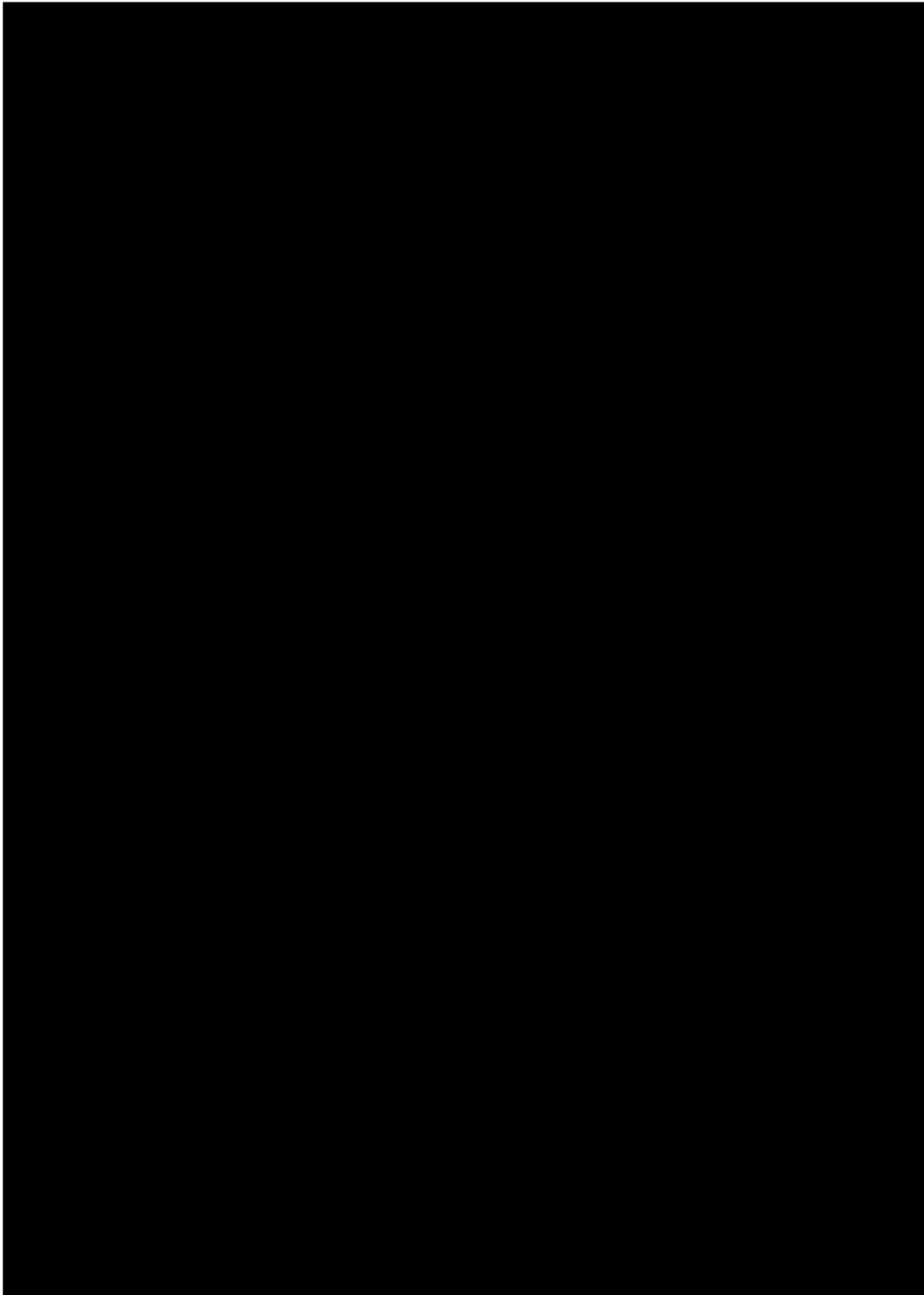















PI – Well I didn't need to often because in the contract it says that you can't misuse Post Office's money, theft is contrary to common law [] (6 of 11 – 14:48) so whether they intended to put the money back or not was a moot point because generally you would look at it in terms of misuse of Post Office funds and a typical scenario would be they had taken a few grand from the till and gone to the cash and carry. Sometimes they would put the money back after the audit but that is an irremediable breach of the contract. So there is still something to happen as a consequence of that. If it was £100 that wouldn't be a suspension, there may be an error notice coming back for that. If it's a large loss it may have been the case that an error notice would come back that it's just an accounting problem and this is before Horizon and after Horizon money was going missing before Horizon came in. This is what is being missed.

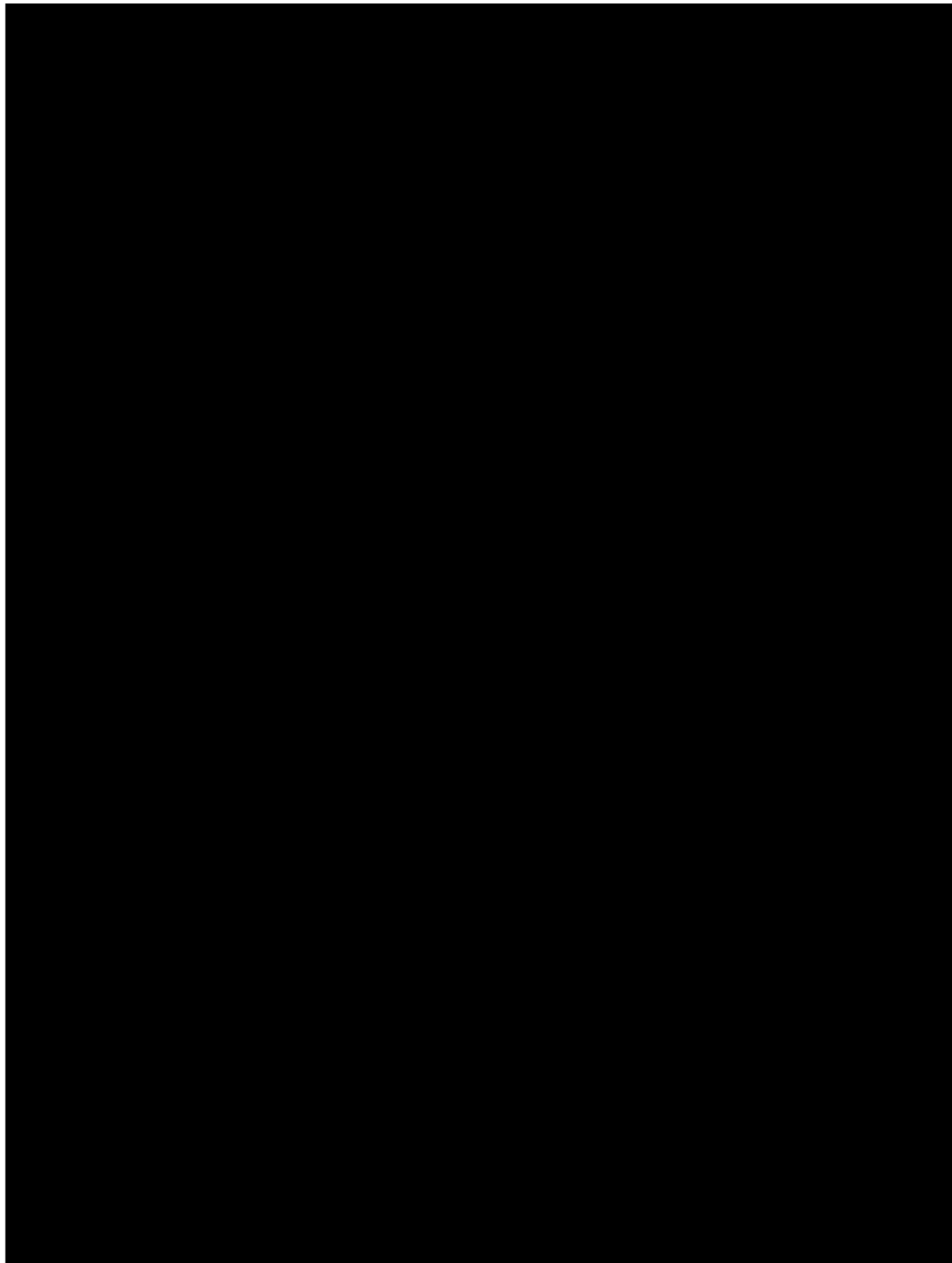
VB – That's an interesting way of putting it.


PI – People were misusing Post Office funds or stealing it before and after Horizon. Human nature does not change because you introduce an EPOS system. You know, EPOS systems do not steal money, people do. They don't misuse money. I was a branch manager prior to Horizon and one of the reasons I was at criminal trials is because people working in my branch were stealing money and it was an organised crime, particularly in London. They were stealing pension books, they were issuing passports to people that should not be issued with British visitors passports and other things, issuing car tax discs without seeing the proper documentation, stealing money from their colleagues' tills and not their own.

VB – How did you catch them doing that?

PI – Well, I will give you one example is where we made sure that the clock on the close circuit in the TV in the branch was synchronised with an earlier form of EPOS and it would record the transactions going through the till and the camera would be pointed where we knew that person would be sitting. They were processing pension book foils through their own till with no customer there and then they were taking the money out and putting it in their pocket. So the investigation branch would generally run most of that not the branch manager and then there were sub-postmasters who you know, there would be bad audits and I would hear about that and I would have to suspend them. Very rarely would there be an error notice coming back so the losses could be quite significant and they could not explain where that money was, it may have been their staff, it may not have been them but they were accountable for that money going missing according to the contract. I didn't need to read to the contract, I knew that.

Sometimes something would go wrong that wasn't a loss of money and then you would have to think and just check your ground in the contract.





VB – Ok, that's helpful. The next one at 64.1A, and this is that Post Office should provide a system which was reasonable fit for purpose including any or bad error [recalancy] (6 of 11 – 24:36) and by system they're talking about Horizon and they mean the hardware and the software of Horizon as well.

PI – The principle remains the same as my previous argument and therefore the other rebuttal to that would be that why wouldn't we want to do that any way because it would be in our interests to provide a robust system and therefore it's not really necessary to say that in a contract. What bona fide retailer would want to run their franchise by providing a suboptimal system? It doesn't make any sense at all because we would bear risk; we wouldn't be able to know what was going on our estate.

VB – Ok.

PI – It's not harmful to say that to us so I'm not necessarily discounting it but I don't think it adds any value. If something has added value why do it?

VB – Exactly, ok. The next one is 64.2 and that is that Post Office should properly and accurately, effect, record maintain and keep records of all transactions effected using Horizon. Now I have a problem with that one but I'll let you say what you think about it.

PI – Horizon does that so again the principle stays the same about this, they're operating the system on our behalf; we're paying them to execute transactions through the system so the system does that. The system is not Post Office Limited it's the system; so again, I don't believe that adds any value to what the two parties are agreeing when the contract is signed.

VB – Ok, that's helpful. 64.3 properly and accurately to produce all relevant records and/or to explain all relevant transactions and/or any alleged or apparent shortfalls attributable to claimants. They are saying that Post Office should do that.

PI – Again, the same principle. It's harmless but that's what Post Office does because where an error would occur we do provide evidence, where asked, to do that.

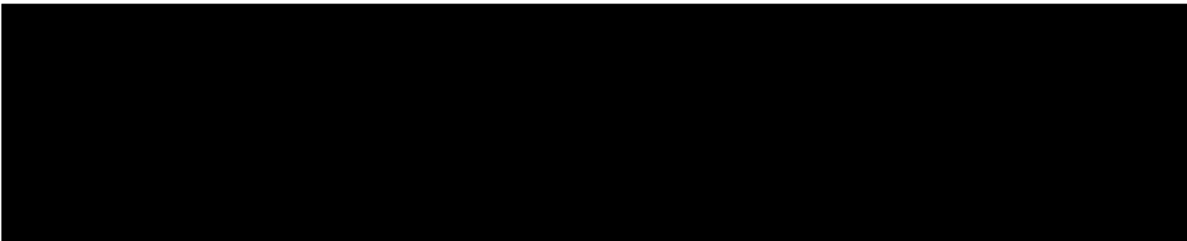
VB – Ok.

PI – And the postmaster wouldn't settle the error until, there's a process where you can suspend the financial consequences of that, and therefore we do have a process and policy where they can ask to see the evidence to support that.

VB – Ok. The Post Office should cooperate in seeking to identify the possible or likely causes of any apparent or alleged shortfalls and/or whether or not there was indeed any shortfall at all. That was 64.4.

PI – The same answer. The appropriate underpinning principle is the same as at the beginning and again, it's harmless, but we do do that so I am not sure what value it adds.

VB – 64.5 the Post Office to seek to identify such causes itself in any event, so the Post Office should be looking for the reason why there is any shortfall.



VB - 64.6 Post Office should disclose possible causes of apparent or alleged shortfalls and the cause therefore to the claimants candidly, fully and frankly.

PI - They do not understand the model because as I have said the transactions are executed by the postmaster and if money has gone missing it has gone missing in their premises and we do not have any control over that situation.

VB: Yeah, helpful. Post Office should make reasonable enquiry and take reasonable analysis and even handed investigation and give their consideration to the facts and information available as to the possible causes of the appearance of alleged or apparent shortfalls and the cause therefore. That was 64.7.

PI: Well if it is a transactional error I would disagree with that for the reasons that I have already given. There will be some instances where a shortfall is the consequence of a burglary or robbery and that would be investigated by the Post Office in terms of the application of procedure of physical security procedures and maybe also the Police so I think the answer to that depends on the nature of the shortfall. If it is a trading loss or transaction error then I entirely disagree with that. They are seeking to put the onus on us to identify shortfalls that happened because of errors or worse that have happened on their premises.

VB: 64.8 is Post Office should communicate or alternatively not conceal known problems, bugs or errors in or generated by Horizon that might have financial and other resulting implications for claimants.

PI: I agree entirely and if we did do that it would be entirely inconsistent with our values as an organisation and I do not believe that any individual or individuals would do that in this organisation.

VB: What would be the point?

PI: Why would they? They may be breaking the law in doing that but they certainly would be putting themselves in breach of their own contract with us and they would understand the consequences of that. It is misconduct if they actually do that.

VB: It could be a disciplinary issue

PI: And if it is a third party supplier and I am sure that is not allowed for in the contract with a supplier. They have got their own brand to think about. We could suffer reputational harm. It would be unethical with serious consequences for those individuals.

VB: 64.9 to communicate or alternatively not to conceal the extent to which other subpostmasters were experiencing issues relating to Horizon and the generation of discrepancies and alleged shortfalls. So what they want to have here I think is information sharing about postmaster A has got a problem and that should be told to postmaster B or possibly all the other postmasters.

PI: Well first of all there is the issue of confidentiality and data protection concerning other people. Secondly commercially it would make no sense to do that because that information could then be used by others as a smoke screen to defraud the company. The other point is where we have seen examples of good practice or bad practice then we would publicise and do publicise that because we do not want agents to suffer financial harm so to suggest that could be an obligation on us I think commercially it makes no sense at all.

VB: 64.10 not to conceal from claimants Post Office's ability to alter remotely data or transactions upon which the calculation of the branch accounts and any discrepancy or alleged shortfall is depended. I am not sure whether you would comment on that or are not sure about that?

PI: I am aware why this has been put in there but I cannot comment on whether we do have the ability to do that or not. I suspect it goes back to a rogue individual in Fujitsu saying that they could manipulate and individual's agents' accounts I do not know whether that is true or not.

VB: That is fine we will leave that one because I think that's the, probably there is some quite specific people who need to comment on that. 64.11 properly, fully and fairly to investigate any alleged or apparent shortfalls. I think we have covered that one.

PI: They want the same obligation twice.

VB: 64.12 not to seek recovery from claimants unless and until Post Office had complied with its duties above that we talked about. Post Office has established that the alleged shortfall represented a genuine loss to Post Office and Post Office have carried out a reasonable and fair investigation as to the cause and reason for their shortfall and whether it was properly attributed to the claimant under the terms of the sub-postmaster contract.

PI: I suppose in genuine loss they may be referring to I do not know liquidated damages in the contract not being a genuine pre-estimate of the loss but it maybe that most of this is around them saying you know you suffered a transactional loss and that is a loss for us but as we provide the working cash then if money has gone missing from a remote till A that is a loss that we have suffered and if there is a compensating error notice that comes back we have got a track record of adjusting that error. I have never seen any evidence of recoveries of losses actually being suppressed. I do not believe anyone would stand to gain anything from doing that or do it. Again it would put the individual in breach of their own contract of employment and it would be a material or a gross misconduct.

VB: Post Office could not recover from claimants unless Post Office had carried out a reasonable and fair investigation as to the cause and reason for the alleged shortfall and whether it was properly attributed to the claimant under the terms of the sub-postmaster contract.

PI: I think that goes back to the previous answer. If it is a transactional loss then again how can we do that for the reasons I have already given. If there are other types of loss for example a robbery then the losses may be caused by a lack of physical or procedural security and there is a proper investigation into that and the person the adjudging that is not the person who did the investigation so there are checks and balances in place here.

VB: That's helpful. That Post Office should not suspend claimants arbitrarily, irrationally or capriciously without reasonable and proper cause or in circumstances where Post Office was itself in material breach of duty. That was 13.

PI: All I can say to that is I have never once seen a case where it had done that and I have never seen any evidence where POL have been in material breach of the contract it has with its agents.

VB: And you are able to say that because you have been a contract advisor and also as an appeals manager.

PI: I have been an area manager, a contract advisor, an appeals manager and someone in the business for the last seven years that has given advice in cases. Where we suspend a postmaster it is in accordance with the terms of the contract and it is a serious step to take. The cause is a disruption to service and it is not one that is taken automatically or lightly.

VB: Very similar question in relation to terminations this is 14. Post Office should not terminate payments, contracts arbitrarily, irrationally or capriciously without reasonable and proper cause or in circumstances where Post Office was itself in material breach of duty.

PI: I disagree with way it says but as I said before I have seen a lot and I have never seen a case where we have terminated an agreement outside of the terms of the agreement and without considering whether that was the appropriate outcome. Ok in appeal you may have seen cases where more consideration had been given to other outcomes but that did not necessarily make me disagree with the outcome that had been prescribed. It costs thousands of pounds to terminate a contract and find a replacement if we can so commercially why would we want to do that unless we felt that was the most appropriate course of action to take.

VB: This is 15. Post Office should not take steps which would undermine the relationship of trust and confidence between claimants and Post Office.

PI: Again I do not disagree with the sentiment. I do not agree that it would be an appropriate thing to do in the contract and why would we want to do that. We are going to be successful if we have got a good working relationship the people that represent our brand it does not make any commercial sense.

VB: Post Office should exercise any contractual or other power honestly and in good faith for the purpose for which it was conferred.

PI: Well we have got a set of values in business and it is to be fair, transparent. If we fail to do that we would not be running the business in accordance with its values and that would not be tolerated. It is not an appropriate term to put in a commercial agreement. I do not believe it adds any value. It is about what we are as an organisation.

VB: 17 is very similar that you must not exercise any discretion arbitrarily, capriciously or unreasonably.

PI: Same answer really I think.

VB: 18 is similar again to exercise any discretion in accordance with the obligations of good faith there being transparency corporation and trust and confidence.

PI: Well again it is the same thing.

VB: 19 to take reasonable care in performing its functions and or exercising its functions within the relationship particularly those which could affect the accounts and therefore liabilities for alleged shortfalls business help and reputation of claimants.

PI: Again this is something we do. The principle I said at the beginning still applies and I do not believe that it would add any value to the contract. I do not disagree with the sentiment.

VB: That is it for those. The other bit that I might look at with you is there is an argument that some of the terms are onerous and unusual and it might be quite useful to go through with you those terms as long as it is not too horrendously long. As to why they [] (7 of 11 – 12:11) everything it is the whole contract. I think probably the way of dealing with this would be if we sort of look at the heading of each type of clause and you can explain why its needed. I mean I think we have probably covered it to be honest with you saying that you have to have standard terms to manage the network. I will just have a quick look through to see if there are any that are particularly.

PI: I suppose point I did not make though is that to what extent would you find any of those suggestions in the market place for a franchise or franchisee relationship although this is not strictly a classic franchise it has got many of the features of that. We are competing with other good franchisors and we do not want our terms to look out of place in the market place. I know the sub-postmaster contract does. It does not look like those terms.

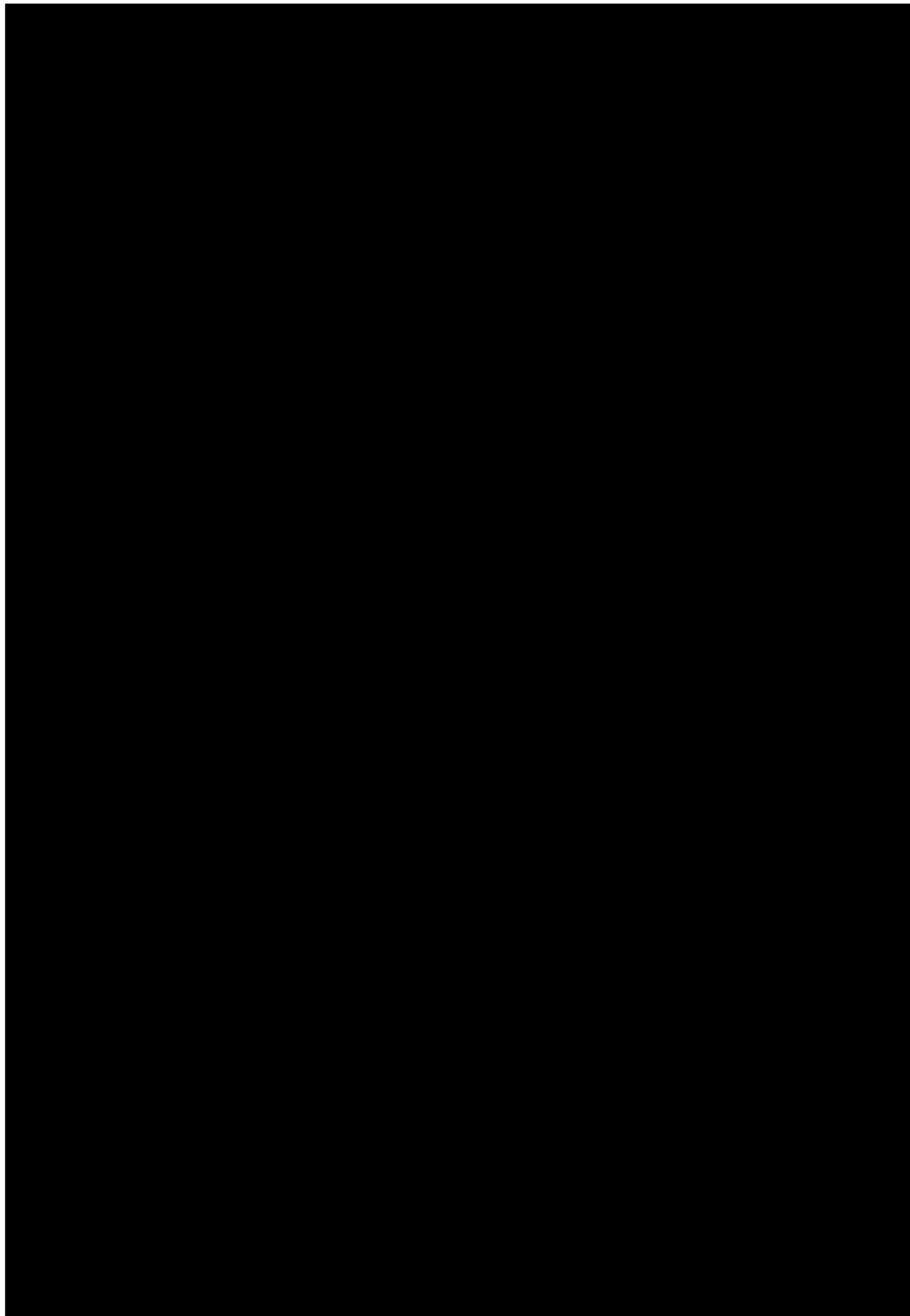
VB: That is sort of more historic though isn't it.

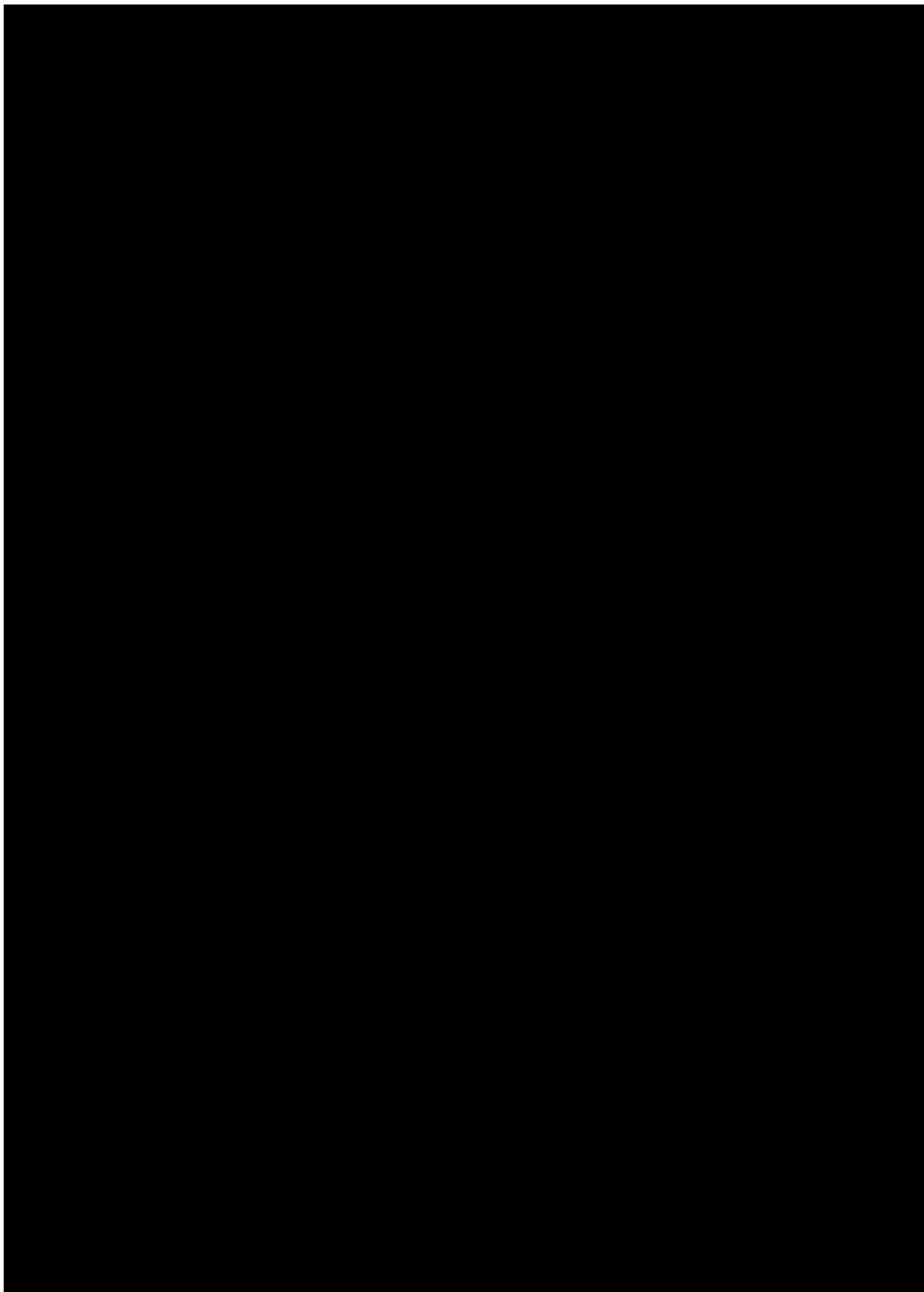
PI: We want to simplify things making it easier to do business with them and loading all of those things into a commercial agreement well actually we are a bone fide franchisor with a stated set of values. We do not need to say all of those things about us because if people did not trust us. If we routinely went around behaving badly no one would want to be a postmaster.

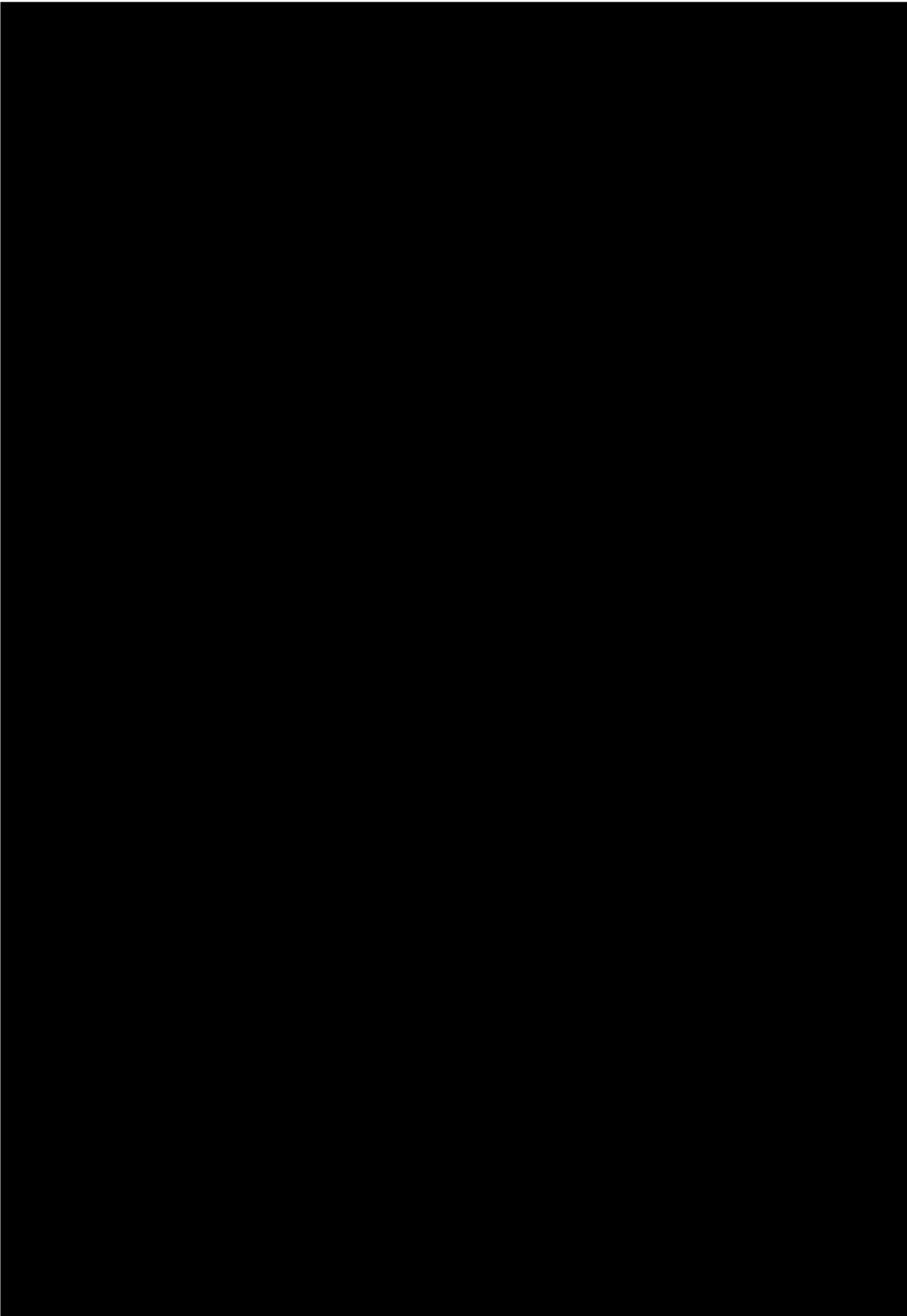
VB: I am just having a quick look just to see whether there are any that do strike me as being a cause for explanation. So for example accounts and liability for loss and this is all to do with the clauses which say that the sub-postmaster must keep the accounts in a form prescribed and that they are reasonable for losses and that that will continue once their appointment has ended. I think they are relatively similar although they get more detailed as you go through different types of contract clauses in obviously all of the contracts and they are saying that that is an onerous and unusual term.

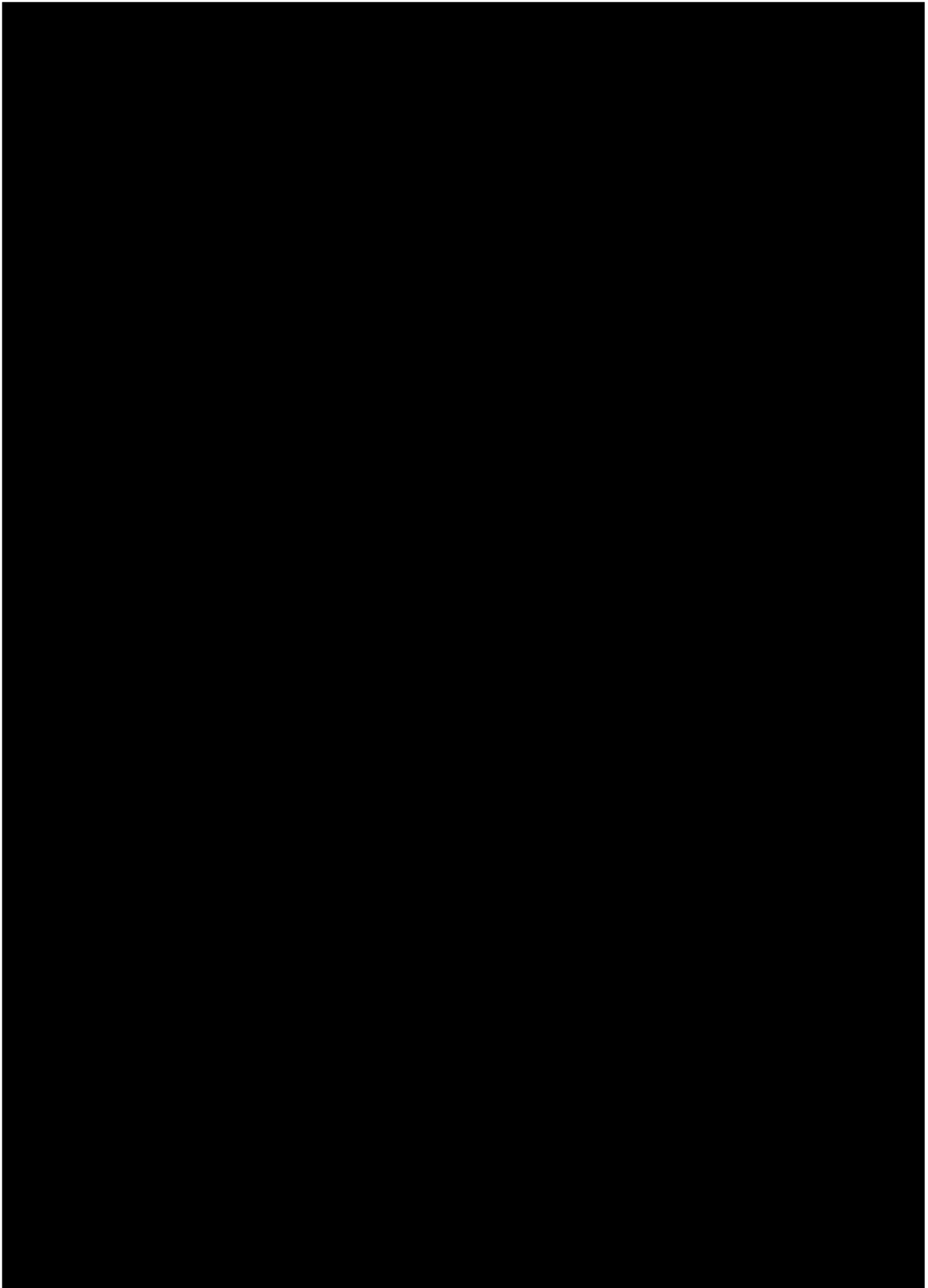
PI: Which bit of it?

VB: All of it.









PI – Yeah – that was old world

VB – This is old world ok- I think we want to know about that because I think there's some erm some sub-postmasters who erm claimants who have mentioned that in there.

PI – Yep

VB – Erm [] (8 of 11 – 03:48) information

PI – Yeah

VB – I can't currently recall whether or not there's

PI – I can explain that you know the principle and what it was

VB – Yeah

PI – Whether they like it or not that's obviously [] (8 of 11 – 03:58)

VB – Yeah

PI – But if there's anything I can't recall I'll talk to Chris Howard about that.

VB – Chris Howard? Whose that?

PI – He works in my team

VB – Ok. So it's probably not a good use of time to try and get you to remember what's in this note but

PI – No

VB – If we erm note for the tape that it's our document number 4A36086106.2 and that we can erm perhaps provide you with a copy of that and then you can just [] (8 of 11 – 04:31)

PI – If you still need me to comment on it I can comment on it and I can you know if necessary Chris can help

VB – That's great and erm

PI – It's going back a while

VB – Oh is it quite old, because

PI – I've not been asked anything about that for a long time and it

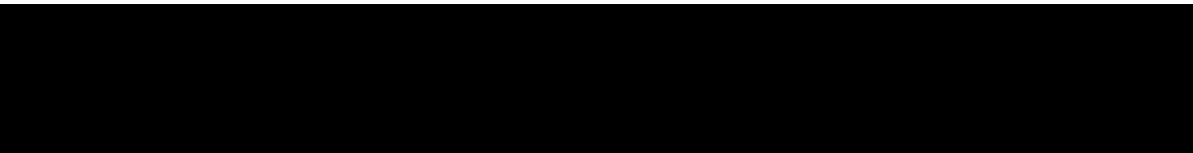
VB – So there's no [] (8 of 11 – 04:46)

PI – No

VB – I was just provided it to say 'you might need this' [laughs]

PI – Yeah I can comment on it

VB – Ok that's fine, it's just helpful to know that if we need a witness on that it might be you erm





VB – Yep

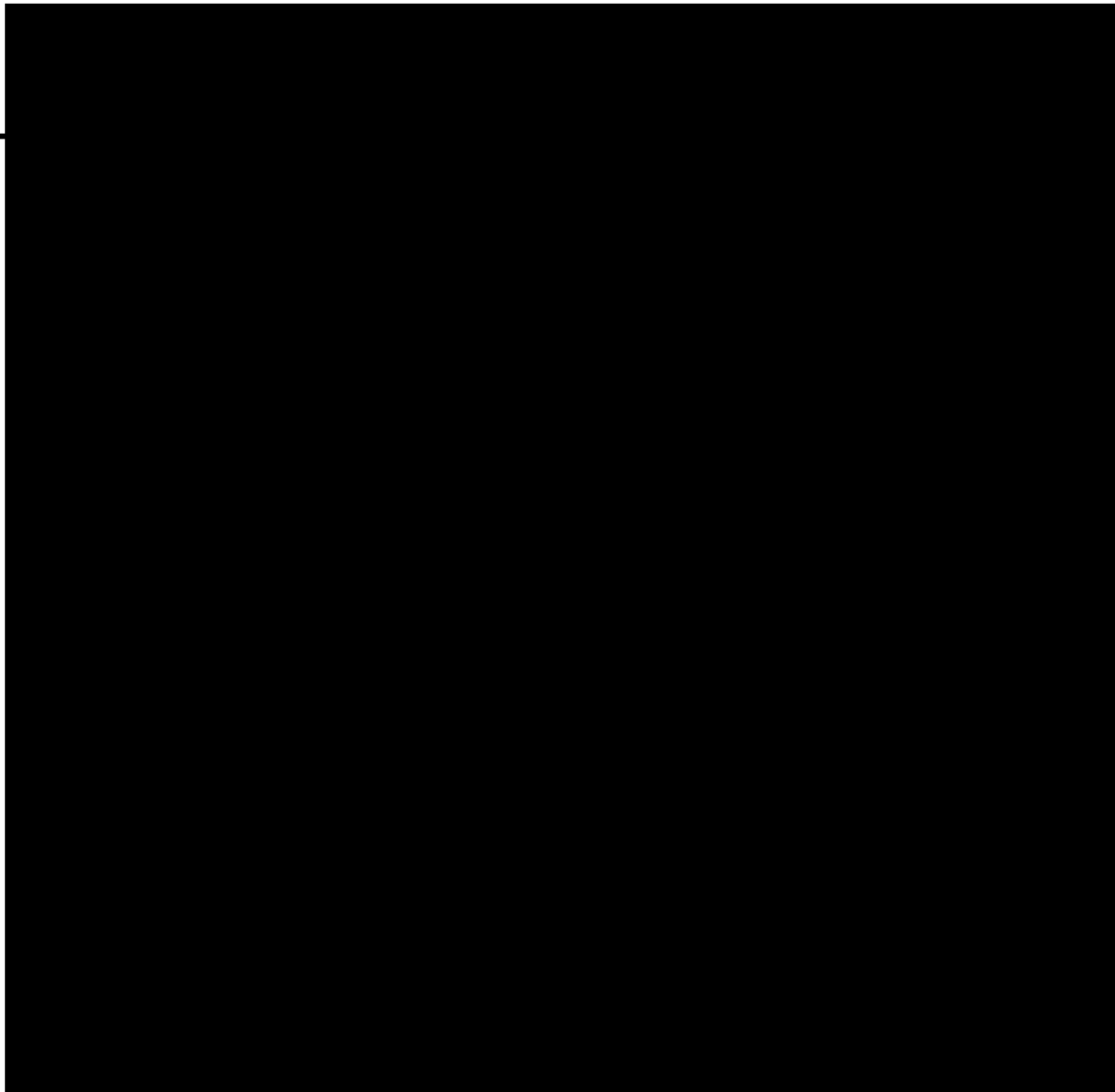
PI – From them – it's less than 50 I think now

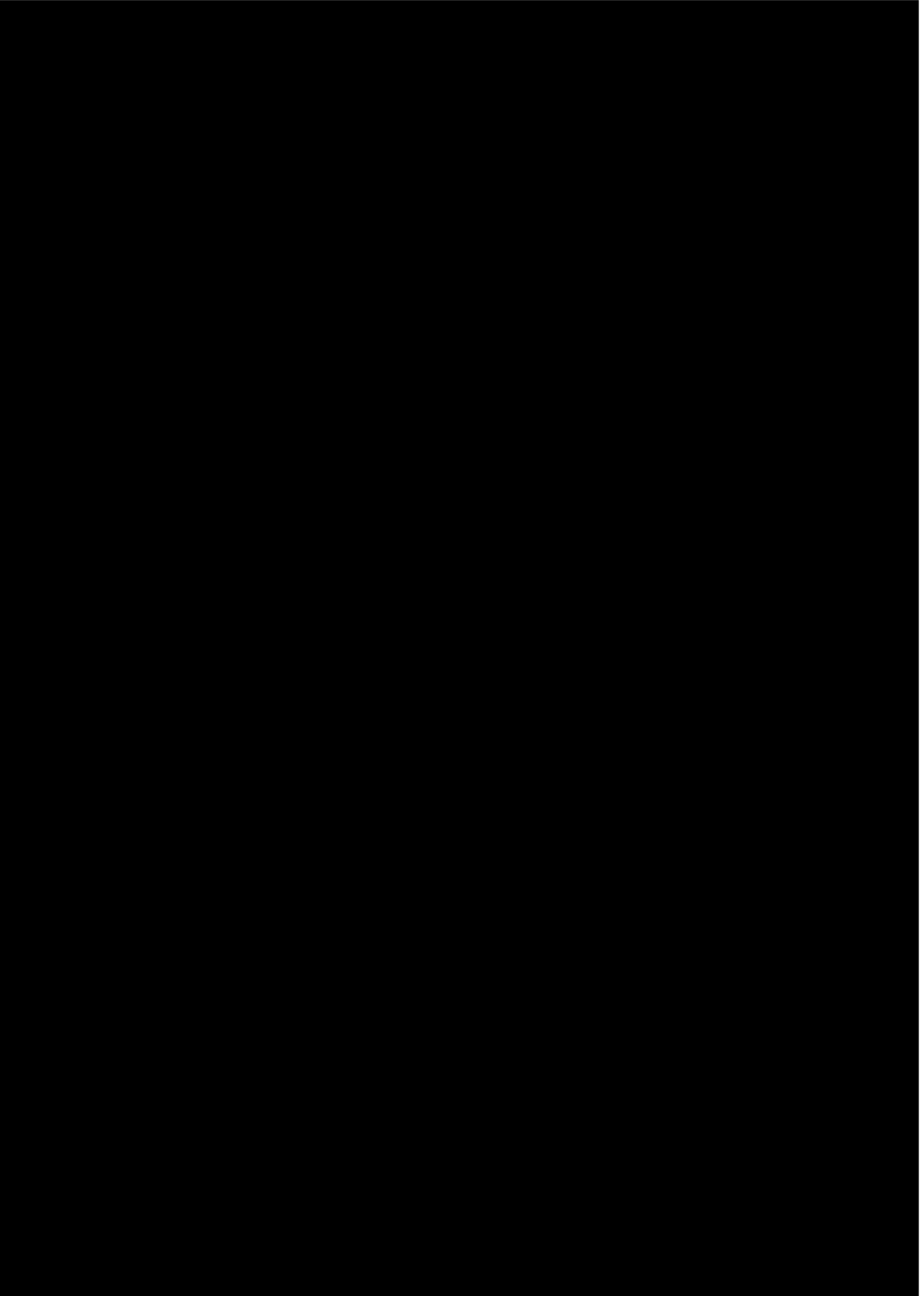
VB – I had spoken to somebody about that probably somebody in Chesterfield who is recoveries.

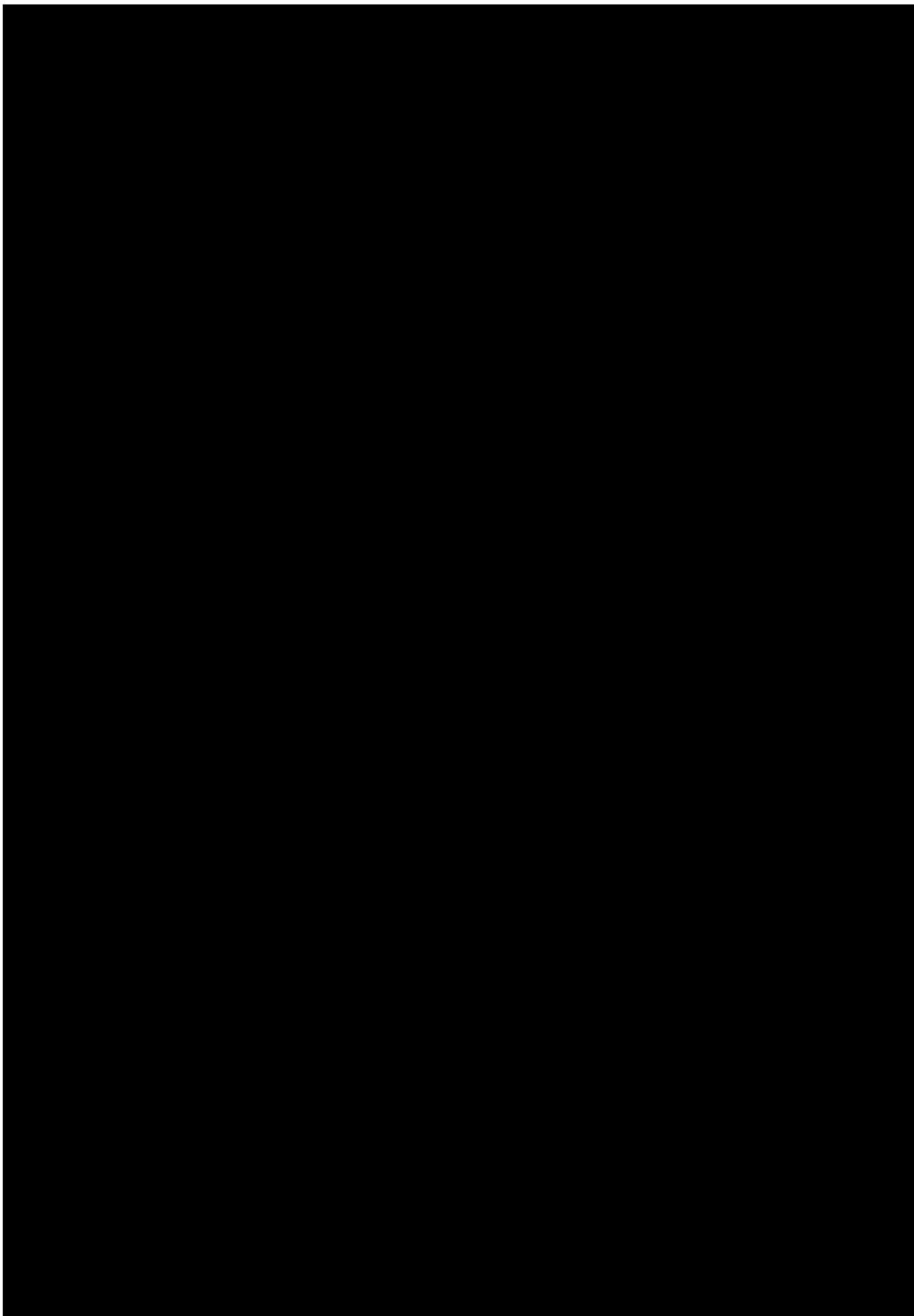
PI – Yeah it's the agent debt team. That would fall under Alison Bolsover as well.

VB – Maybe it was her I spoke to about that, it does ring a bell now.

PI – So my team are passive except for the annualised uprating of the actual debt and we share that information with Alison's team.







[REDACTED]

PI – No there's a lady in the business called Lee Heil she

VB – My goodness I am going to speak to that person I thought that was a man.

PI – That's understandable – it's an androgynous name but it's er it's Lee Heil and

VB – I'm very pleased to have seen you today before I meet her next week

PI – Well I'm almost certain because I'm sure I've spoken to her on the phone and I nearly made the same mistake.

VB – Yeah

PI – Yeah so it would be ambiguous and she will be fine

VB – Well I won't put anything about he or she into [] (8 of 11 – 13:30)

PI – No no don't I'm reasonably confident that I suppose the reason I know this is I was doing some work a few years ago in monetising the cost of training

VB – Yeah

PI – Because we were thinking about charging for this to entrants

VB – Ok

PI – And I spoke to Lee at the time and er that I don't get involved in any of the design or implementation of training

VB – Ok

PI – It sits in Pam Heap's team at the moment – who looks after the agency network

VB – I will speak to Lee

PI – Ok

VB - And you've saved me some embarrassment so thank you

PI – I've made the same mistake with other people

VB – Yeah I I

PI – Androgynous names

VB – Yeah

PI - I didn't actually make the mistake with her

VB – Yeah

PI – Going back actually six years ago but not in an embarrassing way

VB – Well if it's just an e-mail then you wouldn't know would you

PI – Well you've got peoples' photographs now on e-mail but – not everybody's done it

VB – We've got that actually at work but erm obviously its only internal isn't it

PI – A lady Lee is normally Leigh

VB – Yeah it is

PI – Not Lee

VB – Yeah

PI – So you would assume [] (8 of 11 – 14:40)

VB – Yeah exactly [] (8 of 11 – 14:41)

PI – Any of the detail around the design implementation of training would definitely be in Lee's area

VB – What about erm the decision around who would be trained er

PI – Same thing

VB – Same thing?

PI – Yeah, you know I know sometimes I would recruit people that are already postmasters – they're pluralists

VB – Yeah

PI – So you know why would you, train them

VB – Yeah

PI – They may say you might need to put in one of my assistants on the course if there is space, but they go yeah fine

VB – Ok, ok. Erm – and I have got a section about dishonesty and false accounting erm, that you'll know as well because it's got the word postmaster [] (8 of 11 – 15:15:22)

PI – Yeah I'd expect that to say that

VB – So erm, but you have worked in branch – before Horizon

PI – Yep

VB – So the first bullet point I've got in this one is explain the position in relation to false accounting through Horizon on the introduction of Horizon and on the introduction of the NT contract

PI – Hmm mm

VB – There may not be a difference but erm did you have any experiences erm – of false accounting before Horizon, so can you tell me a bit about it?

PI – Yeah, you would, if you go back I could go back to 19 the late 1980s and you know I had a job in a branch where you would instead of Horizon you had a paper balance sheet and you would have to literally work out all the in payments, out payments, cash, stock on hand and work out whether the till balanced every week.

VB – So how did they actually do it – did, every time somebody did something do they have to write it down on a ledger or

PI – No – every day at the end of the day there would be a reckoning of some types of in payment and out payment.

VB – Ok

PI – So effectively every day or every week you'd work out your receipts and payments, you know at the end of the week you count all the cash in stock – so it was all then onto a balance sheet with a whole weeks' work.

VB – Ok

PI – And by deducting one from the other you could tell if the till had balanced

VB – Oh I see

PI – So all automated, all, you might have a calculator on the counter

VB – Yeah

PI – But that's the most that you have, so it's literally all mental addition and subtraction.

VB – How would erm, how do you know what transactions you've done, sorry I know this is a really stupid question but

PI – You'd know [] (8 of 11 – 17:06) that you had paper receipts in the till, so if you'd done 100 pensions in a week you'd have 100 pension foils – you had methods of payment like cheques that you dispatch at the end of the day – you'd have banking in payment forms. You'd have giro cheques, where you had paid money out. So there was an exception for some value stock – if you sold a book of stamps, you'd give them the stamps and take the money.

VB – And then you'd know you saw it because you had one less than you had the week before.

PI – Exactly and the cash was in the till

VB – Ok

PI – But for other sort of non-value stock transactions there will be a paper trail

VB – Ok

PI – That you could actually validate what you paid in and paid out. There wasn't much automation if any at that point – no electronic transactions. So to go back to the point about false accounting is that I know that some people would you know if you balance within £2

VB – Yeah

PI – You could just hide it

VB – Right

PI – You could just adjust – put the money in out of your own pocket

VB – Yep

PI – I know that there are people – postmasters er that would inflate the amount of cash that they had – but they didn't want to declare a shortage – they didn't want to put it in [] (8 of 11 – 18:18)

VB – Even a small amount or a huge amount as well

PI – Just for convenience

VB – So that means that they will be saying there's £50 in the till when in fact there's only 10

PI – Correct

VB – Or whatever

PI – And the reason that they would do that is because they have to put the shortages in out their own pocket at that point

VB – Yeah

PI – If they thought that there was a big error that had been made and they can identify that – they could hold that that shortage or gain in suspense.

VB – Yeah

PI – And they would wait for the error notice to come back and offset one against the other

VB – Ok

PI – But unless they knew for sure that there was an identifiable error then they were required to make that loss good immediately erm

VB – Erm you were mentioning something I think when the tape wasn't on earlier about how when you used to work in branch, you would have like the most losses you ever had something like was it about £80

PI – In three or four years working on the counter five days a week being accountable for my own till er – the fact the biggest loss I have was less than £100

VB – Ok

PI – You know, there is a warning system if you had a certain number of losses over £20 in a period of time you would go down our disciplinary route and er I don't ever remember that happening – you know I was careful and I was good

VB – What do you think happened with that?

PI - £100?

VB – Have you any idea?

PI – I could have forgotten to take a cheque from a customer where they were buying some car tax – I could have lost the green giro and threw it in the bin.

VB – Yep

PI – So I either didn't have the cash/cheque method of payment, you know like a customer has walked out of the store and not paid for something

VB – Hmm

PI – Or I've lost some paperwork

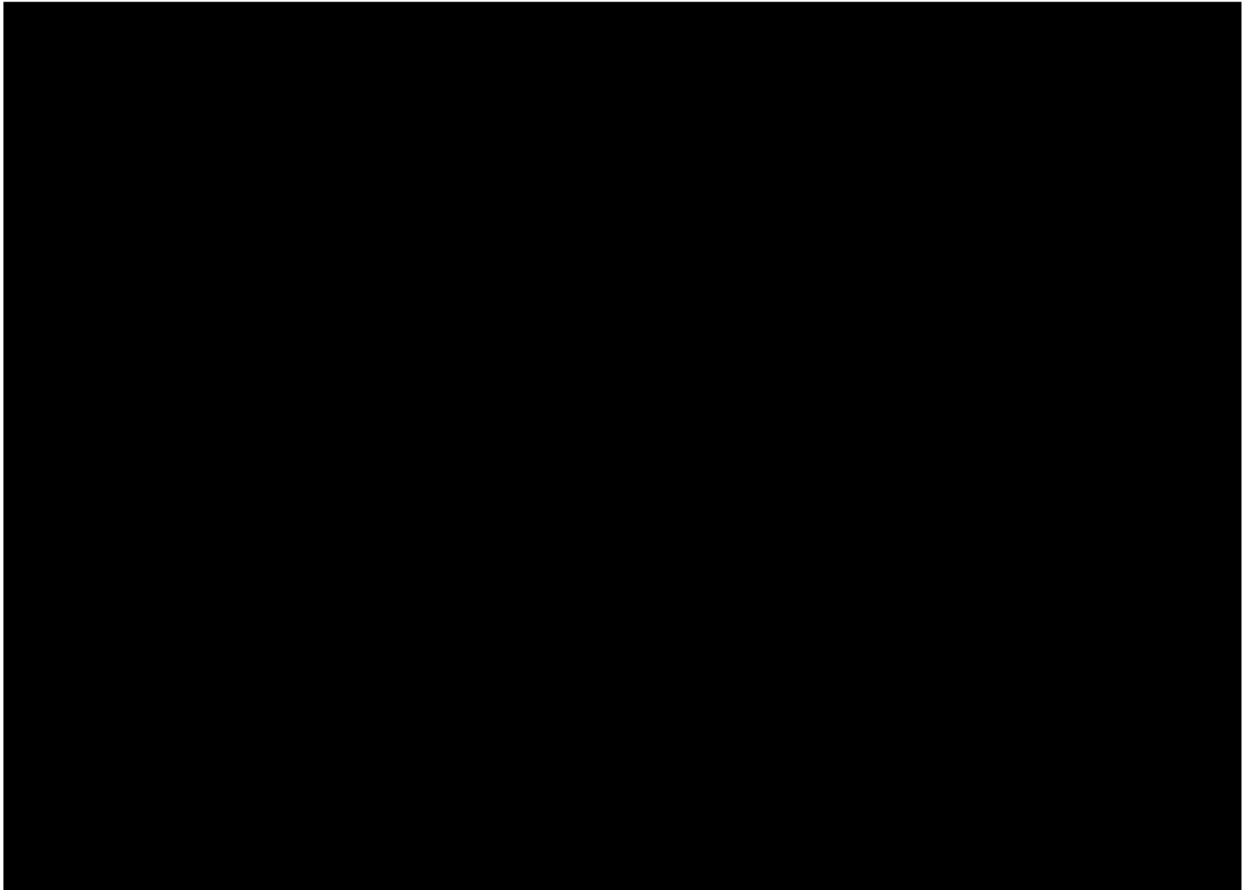
VB – Yep

PI – And I can't support the money that I've paid out so you know there's a shortage here and the Post Office has suffered a loss

VB – Ok

PI – It's easily done if you're doing thousands of transactions a week for one individual under that pressure you've got a few there

VB – Yeah



PI – They will be £500 over and you would be £500 short – that balances each other out

VB – Yeah

PI – Generally losses without number gains in volume and value and that probably sort of leads you to think well the customer's not going to say anything.

VB – Hmm

PI – If, if they had been short changed they are going to complain – if you'd given them £100 too much they may not complain – some people might

VB – Ok

PI – Or it's internal fraud

VB – Yeah

PI – In retail 90% of shrinkage, is internal theft – so why would the post office be any different to any other retailer?

VB – Ok

PI – It's not custom theft

VB – That's really erm, it's really actually really interesting to hear what it used to be like before Horizon.

PI – Well – I've seen evidence of er colleagues er suppressing losses

VB – Hmm

PI – Because I used to do the weekly accounts

VB – Hmm

PI – And it's always the same individual who would balance the till but once you'd checked all of their work you'd unbalance their till and they're £30 short.

VB – Hmm

PI – And because once you've been doing that for a long period of time you begin to get the sense that some individuals were probably you know.

VB – Yeah

PI – Less competent perhaps than others.

VB – Yeah.

PI – That's human nature – that's what you'd expect, you know you wouldn't expect postmasters to be any different because they're human beings

VB – No, some people are honest some people aren't, yeah

PI – And there's different degrees of honesty

VB – Erm so you've had experience of false accounting erm that you've sort of witnessed I suppose – it's a way of putting that, because you've known these colleagues who have

PI – And postmasters

VB – Yeah

PI – Yeah postmasters – I used to look at their accounts. If you got there on a Friday and they [8 of 11 – 23:53] their cash accounts, then you would think well why's that the case, you know there's something wrong here – er if they were balancing every week and they were getting loads of error notices coming back well why was that – surely they would be unbalanced every week and the error notice would be compensated back. So you began to get a picture but they were suppressing losses or you know, there's just an issue about competence or their integrity. Because you got to know you looked at their retail, if the stocks are, the shelves are half empty

VB – Hmm

PI – Have they got a cash flow problem

VB – Yeah

PI – You know, you begin to get a bigger picture with an agency branch because there's a lot of other stuff going around

VB – And is that from – which role is it when you erm

PI – Er retail network manager. Yeah, area manager, they have different names that roll over – retail line manager, retail network manager

VB – Yeah

PI – Area manager

VB – Yeah

PI – But you begin to get a picture about certain agents from various forms of intel

VB – Yeah

PI – Sometimes it would be a customer, sometimes it would be internal accounting, you look at their shop, you know maybe they'll start to say something and in my area there would be agents losing significant amounts of money.

VB – Right

PI – Maybe it was competence, maybe it was their personal integrity

VB – Yeah

PI – You know. And that was nothing to do with Horizon

VB – No

PI – You know. That was, that was well before the advent of alternation

VB – Erm, in terms of that experience erm there was erm everyone looks at you agog when I ask this question but erm – assuming you agree with this, why is signing off false accounts dishonest in your view, if you do agree that it's dishonest

PI – Well a) I think er false accounting is actually an offence er in statute – I may be wrong about that – so if you agree to do something then you don't do it in that way then that's dishonest in my opinion, it's immoral

VB – Yeah

PI – Then you've got er a statutory element to it if you apply for a job and make a false statement about yourself that is an offence under the theft act.

VB – Hmm

PI – You may think it's not harmful to do that but I don't think there's any such thing as a victimless crime.

VB – Yeah

PI – And I think it's wrong to er present your accounts in a way that are false because if every agent did that the aggregate effect of that would make our financial position meaningless.

VB – Yeah – it would

PI – You know you can't just look at this in the micro

VB – Yeah, that's true

PI – And if they are acting unethically, immorally, unlawfully there – my experience of looking at agency branches is once you lift up that rock you find out an awful lot of things that are going wrong – they may be non-compliant with other forms of statute – because they are [] (8 of 11 – 26:52) retail [] (8 of 11 – 26:53) business.

VB – Yep

PI – It's very rarely one thing that is going wrong

VB – Right

PI – They may be employing people unlawfully – paying less than the National Minimum wage, you know it it's useful intelligence that leads to other things.

VB – Ok, erm from your experience when you did used to deal with pre-Horizon and signing off accounts was there any weaknesses in that process erm so balancing the books

PI – Er the manual system

VB – Yeah

PI – Only the human capability – because it was all er human mental calculation

VB – Yeah

PI – My understanding is the advent of automation at least in the directly managed estate improved that situation

VB – Yeah

PI – Because alright if you put garbage in you get garbage out

VB – Yeah

PI – But a calculator is less inclined to make mental mistakes than a human being

VB – Yeah that's true

PI – And effectively Horizon is a calculator

VB – Did you ever work in branch [] (8 of 11 – 27:58) Horizon was installed – I've forgotten the timeline

PI – I did because what I used to do when I was an area manager was to go out at Christmas and because the BMs were too busy to talk, branch manager, and to be visible I would go and work on the counter alongside a colleague and I still do that actually but in a slightly different way – so I had used Horizon and I think it was a brilliant system

VB – Yeah

PI – You know

VB – Did you find it to the extent that you've used it – how did it compare to the manual system

PI – You know, it's er it was less reliance on mental processing – because you you know you push a button and the system works out the balance due to the customer

VB – That's true yeah

PI – And from the customer – but it also reminds you what you have to take from them or give to them in terms of the products.

VB – Yep

PI – So in my view it was er it was a real watershed

VB – Yeah

PI – In the way that we interfaced with the customer

VB – Ok

PI – And we saved time because at the end of weekly balancing procedures were much quicker er so if if I had you know a postmaster [] (8 of 11 – 29:10) – I think it's quite intuitive

VB – Yeah

PI – I've never seen in the evidence that it was inaccurate. It it's er it's a calculator plus and it does a whole lot more than that obviously you know why would our EPOS be inaccurate and no one else's is and I have never heard of any retailer that have major problems with EPOS from any supplier. Sometimes it crashes and you know I understand that.

VB: Can I ask you what do you think the biggest weakness in Horizon is from your experience?

PI: I think probably there are too many screens to go through to get what you want it to do. Sometimes it was awkward to remember where things are and in order to get to where you want to go you have to remember which screen you have to go through. You know the printer was probably too slow and noisy but we are improving it and it has changed a lot recently I think but there is no major issue with it really.

VB: It's interesting to speak to somebody about that who has got experience of both.

PI: I don't think anyone would want to go back to a manual

VB: That's what we should ask them shouldn't we. We should ask the sub-postmasters do they want to go back to that.

PI: Process methods of payment, more methods of payment like credit card. We did not used to take credit cards or debit cards so [] (9 of 11 – 01:23) from the customers' point of view and it must be a way better journey for the customer and if you look at our self-service kiosks now it is the same. So for the customer it just sort of transformed the experience really.

VB: With the self-service ones presumably that somehow communicates with Horizon then what the customer puts in so it can get recorded in the accounts?

PI: There is a sort of feed in but not to Horizon to our central reconciliation of what we are doing as a business. I am not sure the two talk to one another. I think on the hosted one Horizon sits below that but I do not think there is a hard connection between the two.

VB: I just suddenly thought how would that work if the customer puts something in.

PI: No we know what we are selling through our self-service kiosks and it is all connected to the client other than [] (9 of 11 – 02:12).

VB: That would make more sense of my way of doing it. Are there any guidelines or policies within the Post Office that you are aware of regarding dishonesty and what constitutes dishonesty and also what information would an investigation have to show for something to be dishonest.

PI: I am not sure that we define dishonesty anywhere but the contract is very clear about what people should and should not do. We have got the contract breach policy which I was the author of. That deals

with the consequences of dishonesty. Security and Investigations branch clearly have their own processes and what they have to do in order to report on the suspected dishonesty but there is nothing that I own other than the contract breach policy that goes anywhere near that really.

VB: Now I have got quite an on the ground question to do with the process of finding false accounting so I think that is probably not you unless you can talk about it from your periods as contract advisor or.

PI: On the ground?

VB: Well more sort of like what would Post Office do in order to decide that they felt that there had been false accounting in branch and then to take contractual action against the postmaster.

PI: When you do an audit today you will go in there and you will check the cash on hand and the stock against what the postmaster has input into the system and if what we are checking is significantly different to what he has put into the system it is fairly obvious that he has not entered everything or he has entered things into the system that were not there and why would he do that. Is it a mistake or is it intentional. If you balance a system and we go in there the following morning before he has traded and reconcile what he has actually got physically against the system and the balance is suddenly £20,000 short or £50 as one I have seen this week I do not think that is a mistake but you have a precaution suspension, then it is investigated, then you deal with the consequences of what you find. So we are not saying that there has been dishonesty at that point what we are saying is that we think it is proportionate to issue a precautionary suspension because our assets and our brand may be at risk. There is a that deals with that, the process at the point between the auditors and the contract John Breedon's team and there is a discussion about that before the suspension takes place so it is not a reflex action. The auditors do not suspend people it's the contracts team based on the facts presented to them.

VB: [] (9 of 11 – 05:36) dishonesty and false accounting we might come back to something a bit more similar to that in the minute but the next one I have got on here is to do helpline at NBSC [] (9 of 11 – 05:46). I have already spoken to Gail Peacock so I am not sure

PI: that's Kendra as well

VB: Kendra I have spoken to you.

PI: Generally is where [] (9 of 11 – 05:58) to speak to them.

VB: I am not sure why your name is put by that one to be honest.

PI: Depends what the context is

VB: It is to do with the role of the helpline, what people did and what the knowledge base was.

PI: I wouldn't add any value to that at all.

VB: No I did not think so.

PI: If you have not found out everything you need after you have spoken to Kendra and Gayle I would be surprised. They are absolute subject matter experts on that.

VB: I think to be honest I have got everything I need on that but I will just double check there is nothing. Were there any policies around helpline that you were involved with [] (9 of 11 – 06:37)?

PI: No because the policies deal with things that happen in the agents life cycle. The helpline is like triage so they deal with tier 1 stuff. If it is a contractual or policy issue they will put the postmaster through to the contracts advisor. I do make them aware of things that I am releasing to the estate. Sometimes they will have a Q&A from me, like the verizon change for example, because they will get everyone on the phone you know what's this and it is very low level.

VB: Well that's interesting.

PI: They are not making decisions on contracts or policies.

VB: You might provide them with information that they can then disseminate if asked.

PI: It's a Q&A basically. Why are you doing this and they will be able to answer that but it is very low level and they do not have any decision making authority. It might come to me if it is not practical for the contract advisor or they might push it elsewhere within the company but it is fairly low level operators that deal with this.

VB: If somebody has put your name by something I feel obliged to ask you that.

PI: That often happens you know it happens every day. I think why is this person asking me this. Our business is so complicated and often it is difficult to find out who is doing something within the company because we have restructured ourselves and so on.

VB: The next section is actually end of Post Office's relationship with the postmaster. But because I had not planned to ask you about suspension but we were talking about suspension earlier and I just wondered whether or not if I could find the bit of this other document about suspension whether or not there might be something because you were saying you know you have got the contract breach of policy so I have got lots of question about suspension and I obviously know about how it works and its John Breeden's team actually for quite a lot of it but can you tell me anything about any policy that you have got?

PI: I think in around, well about five years ago there was a view in the business that perhaps we were too quick to suspend people on the back of a bad audit. Not because there was any doubt about what had gone wrong but because there were lower sums of money involved and therefore perhaps the risk was lower actually in terms of some of the things we found so we decided to sort of change tact a little bit and introduce like an informal threshold of cash shortages at bad audit and that resulted in there being fewer suspensions because the condition of not being suspended was they made good the loss at the point so no apparent harm done but obviously if there [] (9 of 11 – 09:59) and they did the same thing again clearly there would be more serious consequences. So we sort of started to triage these type of events. You know if we go in there and £50,000 has gone missing then unless they have got a very good explanation of where that money is even if they make the loss good immediately there is still a sort of inherent risk in there somewhere and there will be a suspension and also there would be a proper discussion between the contract advisor and the head of contract deployment which is John Breeden around the case before the fact of suspension as a sort of safety mechanism. Have you thought of this? What about that sort of thing. So that was one change.

VB: When did this come in?

PI: I think it was about 2013 was it early 2013/2012.

VB: [] (9 of 11 – 10:58) If I had to put my life on it I would say it was May 2013.

PI: Yeah it took a long time to finish the policy off as well so it may have been late 2013, early 2014 maybe. I can look it up as it is on my policy database let's say about three or four years ago and then obviously once there had been a suspension then we provided more support and guidance to the contract advisor around how that case would be brought to a conclusion and that included a broader array of options particularly in network transformation contracts so for example you have 14 days to remedy a breach that is capable of remedy. It is not contractual but we sometimes invoke a suspended termination depending on the circumstances and also there is obviously a recommendation by the contract advisor regarding the case and the outcome of the case and then the decision I believe is taken by the head of contract deployment. So in other words we have moved one stage up who makes the final decision regarding any termination of contract. That has had the net effect obviously of reducing the number of suspensions and I believe the number of contracts that we have terminated but John will probably be able to sort of validate that. It is difficult to gauge because what we are finding now in network transformation is there are more things going wrong at audit. Particularly in local Post Offices but that is not a consequence of the policy or anything other than perhaps in network transformation we have not got the right calibre of operators running locals that we would like.

VB: You are not the first person to say that either. You said the reason why this new policy came in was that there was a view that the business was too quick to suspend but why was that seen as a problem. I appreciate I was there but (a) I cannot remember and (b) it should be your evidence.

PI: I think it was a problem because [] (9 of 11 – 13:46) was gaining momentum and there was an increasing amount of noise at the time and then that sort of melted into Sparrow and I think there had been changes of personnel in the company for example Luke Hobbs who used to run the contracts team seemed to have a fairly bullish approach to this that was not shared by people like Kevin Gilliland. So there was top down pressure to improve a situation.

VB: [] (9 of 11 – 14:32) be something I put in the witness statement. That was my recollection of why it was actually but it was a long time ago.

PI: Not necessarily from POL but certainly Kevin was unhappy about some of the terminations that happened.

VB: Oh yes I remember something about that. Was it a window cleaner? I cannot remember why it would have anything to do with window cleaning.

PI: A window cleaner. Ok I am not quite sure about that. Oh I know why you are saying that because someone got suspended because the postmaster said he had taken the money out of the till to pay the window cleaner [] (9 of 11 – 15:17) went around the business. Well I am not sure what they are paying to have their windows cleaned but for me it is £15 for my house so I am not sure whether that is true. It might be [] (9 of 11 – 15:27) but I remember that at the time.

VB: That is why.

PI: I particularly avoided changing it for this very reason because I do not think that would be a great idea at the moment. I think if that ever happens it will be an outcome perhaps because it will draw attention. If I re-write or tweak the letters or something like that if we have a [] (9 of 11 – 16:15) people will say that you know we knew you had a problem it's an admission of guilt almost.

VB: Yeah I think you are right about that. OK that's really helpful actually and a trip down memory lane for me as well. So this is all to do with process so it is probably best to have a look at that policy for anything to do with this as this is all from that date onwards. I think probably that is covered in the process stop point is it not?

PI: Well there is a more prescriptive approach to show your thinking around that and your balance sheet of arguments as well as getting concurrence at a different level of the company so yeah.

AP: Hi there I am Andy Parsons.

PI: Hello nice to meet you.

AP: I hear your name a lot so I thought I would pop in and say hello.

VB: I saw you outside when they were bringing the sandwiches in.

AP: I am two rooms down that way.

VB: Okay well there are some sandwiches if you want some.

AP: No I am good thank you. All going ok?

PI: Yeah very well you could have come in earlier and I would have remembered who I am but yeah.
No it's going fine.

AP: Probably the wrong person to ask

VB: It's really interesting and Paul has got a really good way of telling us what needs to be told which is really helpful. Not everyone is quite so logical and it is a good level of detail as well.

PI: The right side of my brain is dominant obviously. No emotional information at all.

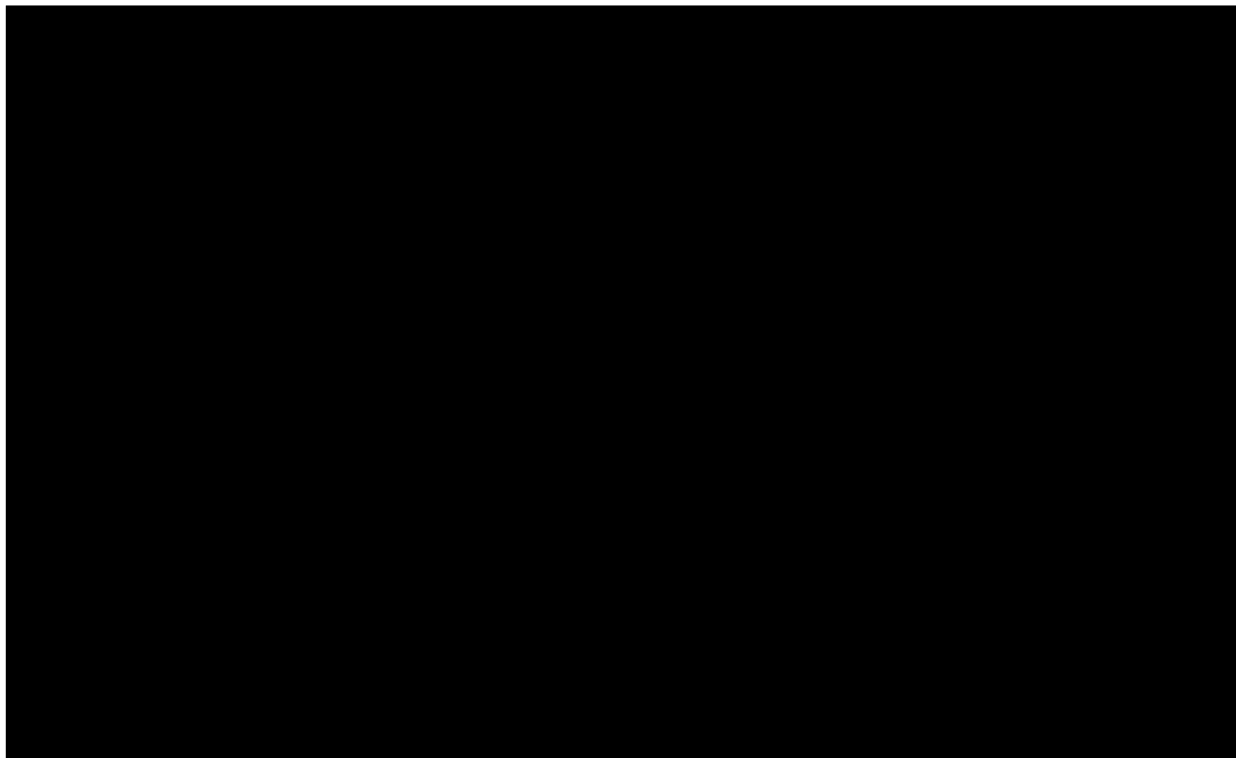
AP: I appreciate you taking the time out of your day to come and do this.

PI: No it has been a pleasure actually. I know the subjects and it is nice to actually, normally when you talk to people about this stuff they find an excuse to leave the room.

AP: You see them nodding off.

PI: You look after that and that is fine yeah but it is nice to go into it in depth actually.

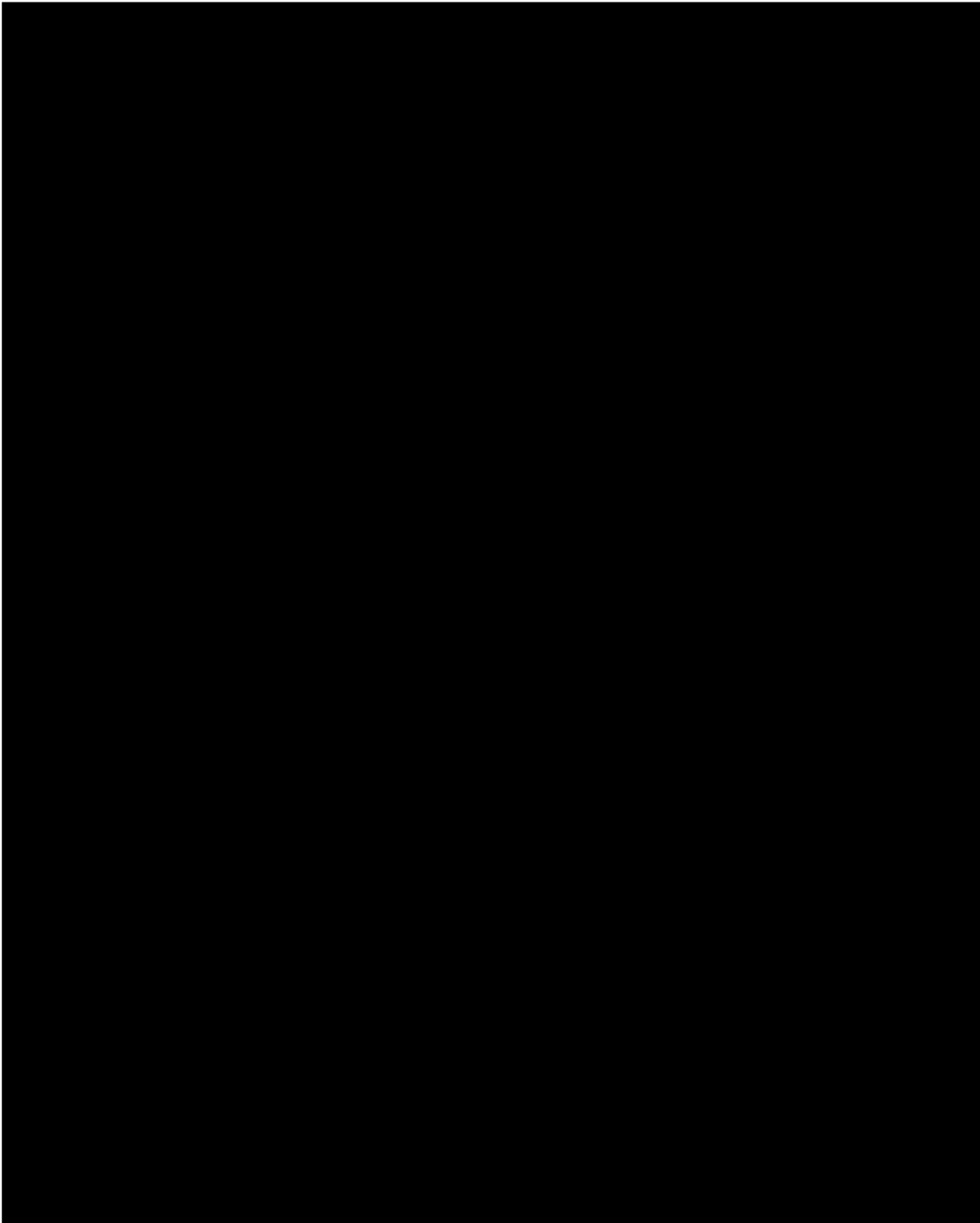
VB: It is really interesting from the point of view of the case and just generally and it is also pretty pleasurable for me I have to say.

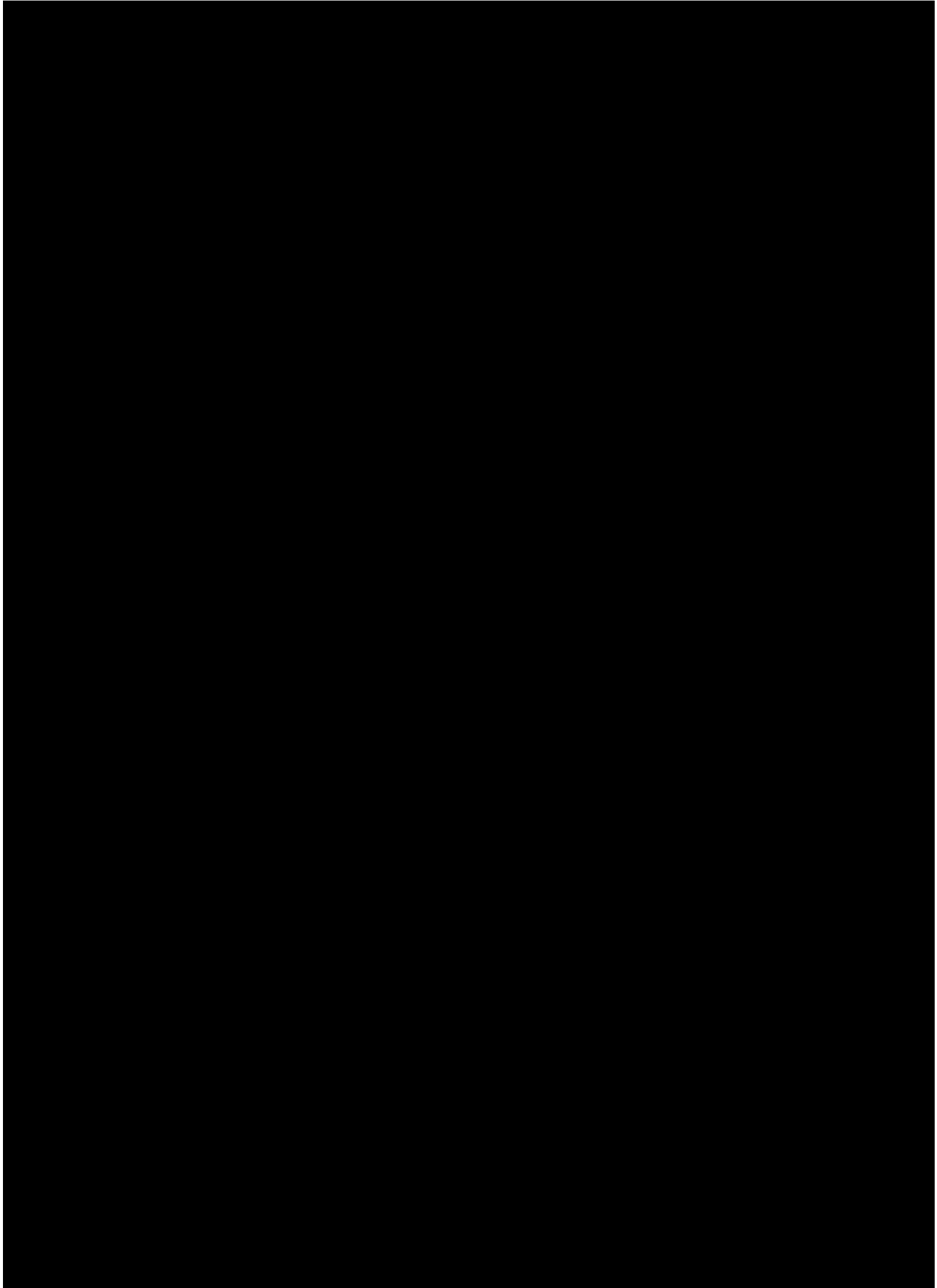


PI: Thanks nice to meet you.

VB: That was quite a good time to come in actually because we are just getting started on something new. I just want to say does anyone want to get another cup of tea or anything. Shall we have a little break?

[BREAK]





PI – Funnily enough I was only told about this a few months ago because I just happened to mention to John "we don't see many appeals these days" and he said "oh we've got a much small number of appeals managers now and it doesn't include you." This was about two or three months ago and I said "well, I can see the logic in that completely" and I always thought I'd never get off that list but now there are so few traditional contracts

VB – Yes.

PI - the number of appeals, you might get one every couple of years if it stayed as it was.

VB – Do you remember when you last did one?

PI – A couple of years ago. Two to three years ago. May be more actually. Three to four. I could look because I keep all the judgments. I'll check.

VB – Yes.

PI – And almost exclusively it would be bad audit.

VB – Ok.

PI – Big sums of money will have gone missing.

VB – If you could check when it was just because it would be quite useful to say that you did it from like, this period to this period and since no one told you that you weren't doing it any more, we say like the date of your last one was the date when you didn't do it anymore.

PI – I can either check my own records or with John Jenkinson who works for John Breeden.

VB – Yes.

PI – See he works for CabRrank basically, so, you know.

VB – Ok. Erm, This is all questions selling the business after someone's been terminated so we've dealt with that. Erm, [] (10 of 11 – 04:24) we've dealt with, erm, so the next bit is termination for fault. Erm, I don't know whether that's something in general that you

PI – was it named [] (10 of 11 – 04:44) the breach?

VB – [] (10 of 11 – 04:45) the breach, yes.

PI – Yes.

VB – Erm, so, erm, we talked quite a lot about the policy as regards suspension so the contract breaches policy, is there anything to add to that sort of discussion when it gets on to termination that we haven't covered already.

PI – Not really. The policy deals with termination.

VB – Yes.

PI – And as I say there

VB – Does that change because you know how in particular suspensions was a thing people were concerned about when we had the meeting all those years ago, did it change for termination.

PI – Effectively, yes.

VB – So what was the approach before and what was the approach afterwards.

PI - I suppose the easiest way to describe it was the way it changed because the concurrence of the decision was escalated from the contract advisor to the national contracts deployment manger. At that point there were two. It's a bit odd the structure but you've got John Breeden and Keith Bridges and I think John Breeden does all of them now. He's the head of contract deployment. So we elevated the [(10 of 11 - 05:56) concurrent one level because I think Kevin Gilliland was of the view that it should not be contract advisors that make that decision.

VB - Ok.

PI - And we wanted more consistency in decision making. The other change was a broader array of outcomes were made more visible for contracts advisors and I have given an example of that already. Yes, so suspended termination, 14 days to remedy, what do you do when there's a series of less serious breaches, you know and that adds up to a serious breach. And then I think the other one was asking the contracts advisors in their recommendation being more prescriptive how they present their arguments in terms of the balance sheet of evidence but particularly being much less opaque or clearer how they would provide their reasons why they thought that was a proportionate outcome which in my experience as an appeals manager was probably the area where their reports were weaker.

VB - Ok.

PI - You know, some people would default to summary termination without saying why they discounted other options.

VB - Ok.

PI - And it demanded that they did provide their thinking [(10 of 11 - 07:26) so I think that sort of crystallises all of the change.

VB - Ok, that's really helpful actually. It helps to show what it was before and what it is now and presumably the reasons for changing it were the same as the reasons we discussed in relation to the suspension.

PI - Yes.

VB - Erm, In terms if we needed a witness to sort of go through, erm, what the process was and the different contracts for say termination and suspension, which is obviously something that we can do from the documents but that we would need someone to have their name to it, is that going to be John Breeden?

PI - Well, you obviously [(10 of 11 - 08:11) talk about an actual case, so really, prior to that breach, NT was in it's infancy so what we're talking about here is traditional contracts, you know, John could account for that very clearly. You know, I've not been directly involved in that as a decision making manager going back to sort of 2005 so if you want a contemporary feel for that it's probably John. He doesn't do it himself but his team do, he's effectively the final decision maker.

VB - That makes sense. And for before that period, John, presumably you know who that would be if it is not him.

PI - It's John, he's been doing that job for a long while even though he's now sort of been promoted at one level, he's the head of, that was a consequence of restructuring but there are effectively two people doing the same role. And he's now got a bigger brief anyway but he goes back a long time in that field.

VB - I remember talking to him about one nine years ago.

PI - Oh at least.

VB - Specific one, that's my account [(10 of 11 - 09:15).

PI - No, he goes back a long time.

VB – Ok. Erm, that covers the appeals that I have got here. Erm, before you talked a bit about, erm, termination provisions that POLs got without fault, without breach, just on notice.

PI – Yes.

VB – Erm, are you able to talk anymore about why it might have used those provisions in the context of breach because I'm aware that sometimes that was something that was used.

PI – People will say that we used it to avoid appeal.

VB – Yes.

PI – That's what they have said. In a very small number of cases, contract advisors and I had done this as well, instead of summarily terminating the contract I would terminate it for convenience of three months' notice.

VB – Yes.

PI – And that would be because summary termination was for serious breach so if it was an integrity issue, misuse of funds, false accounting, in a case of three months that would be a case where, you know, some people used to call it non-culpable inefficiency but I was just say that it was a capability issue.

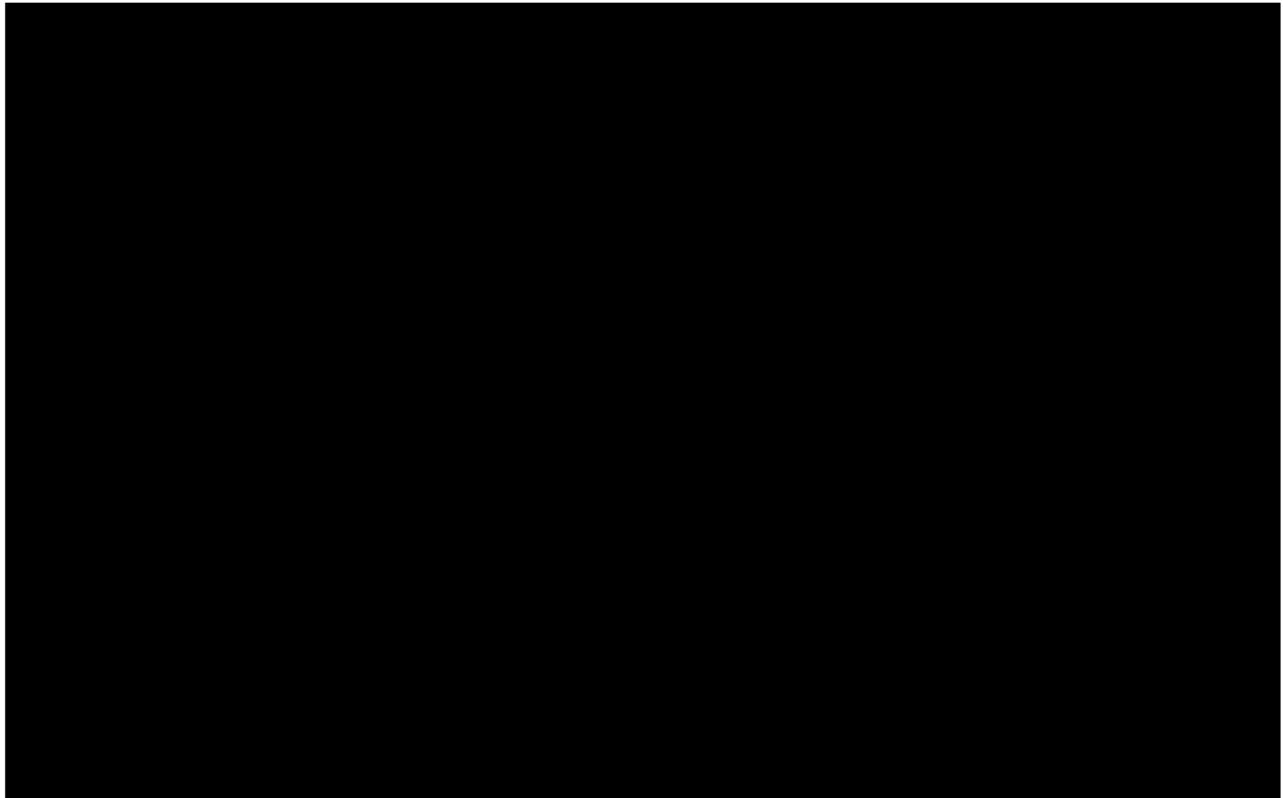
VB – Right.

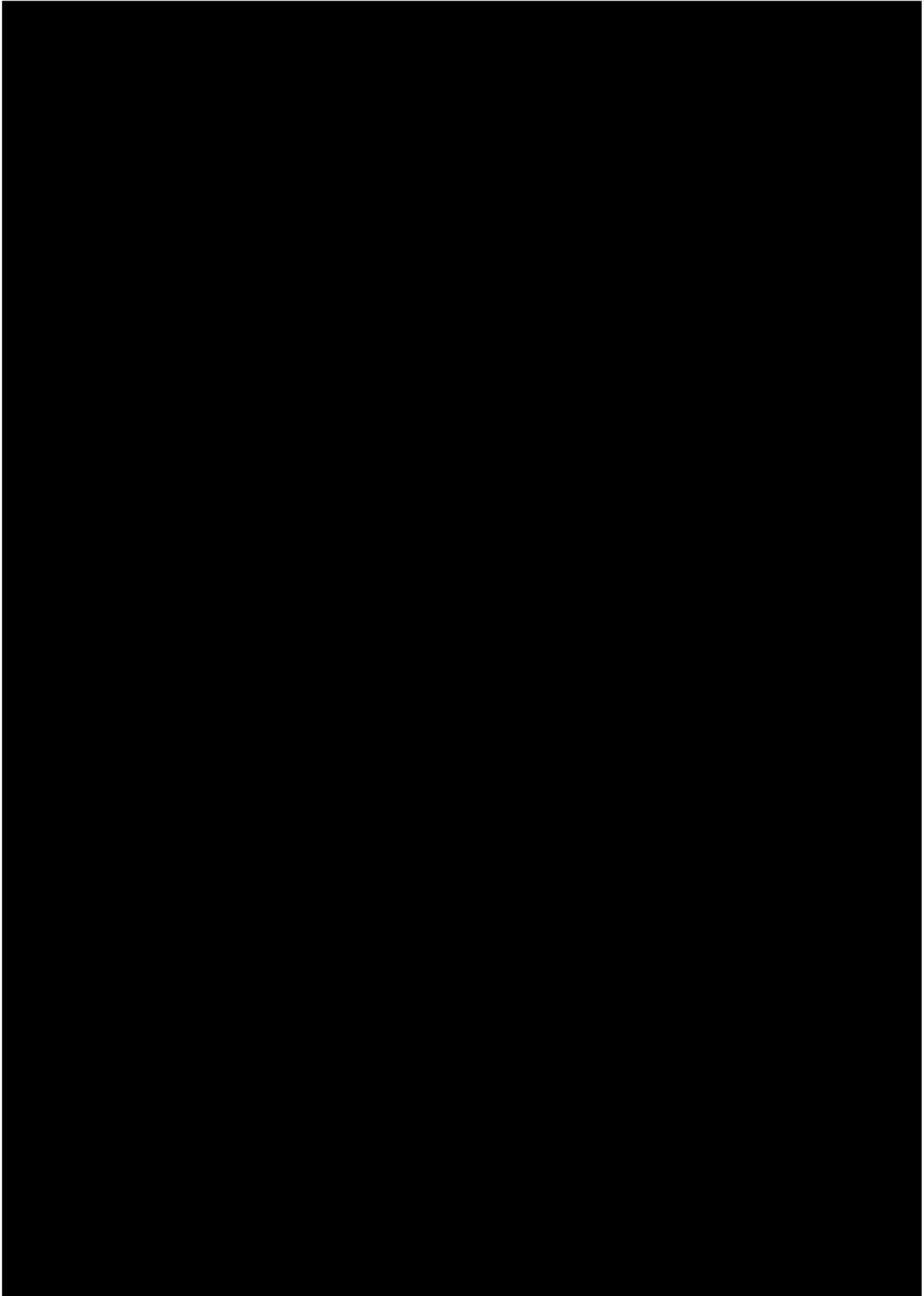
PI – You know, they didn't have the drive or capability to run the Post Office in the way we wanted it to.

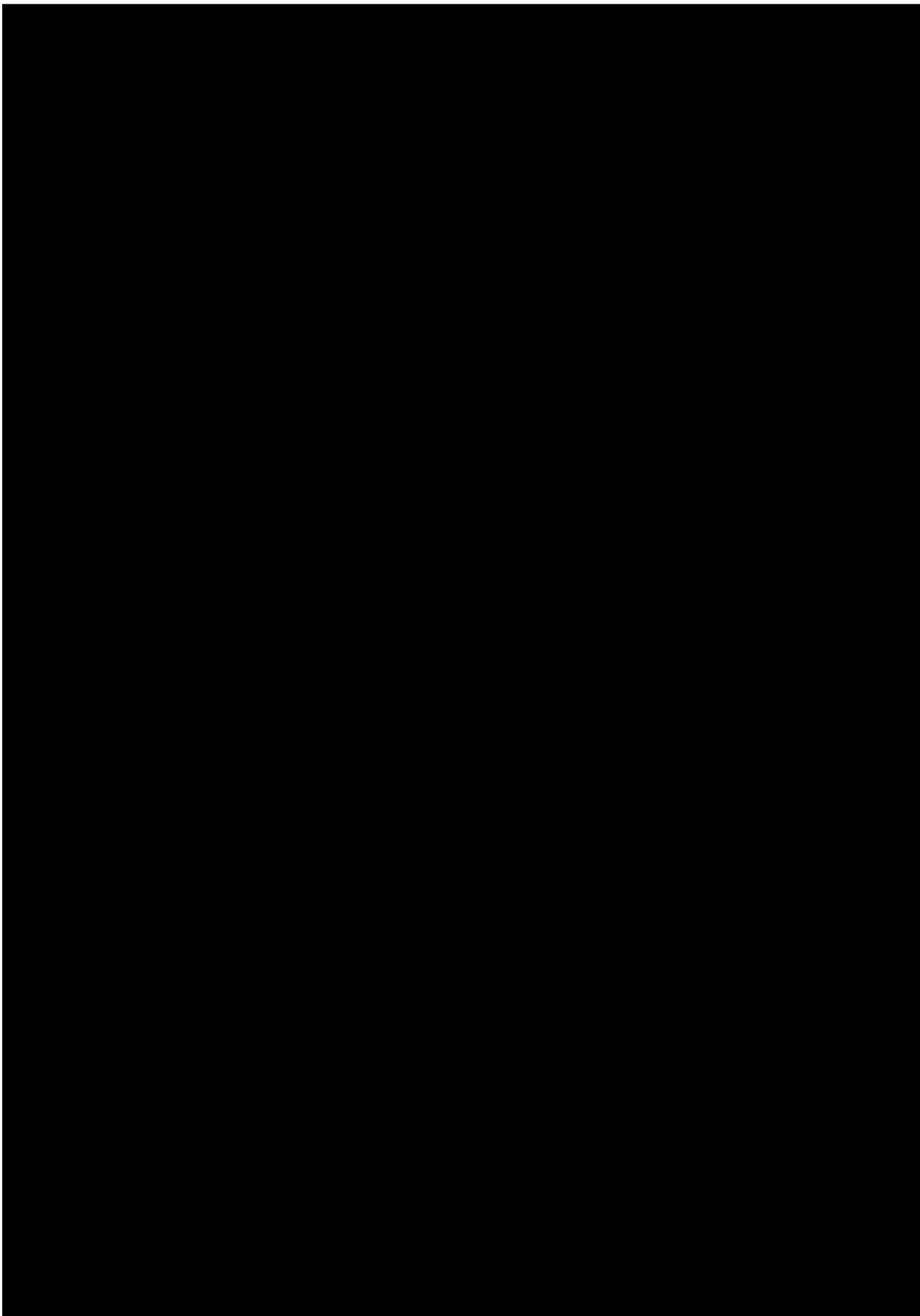
VB – Ok.

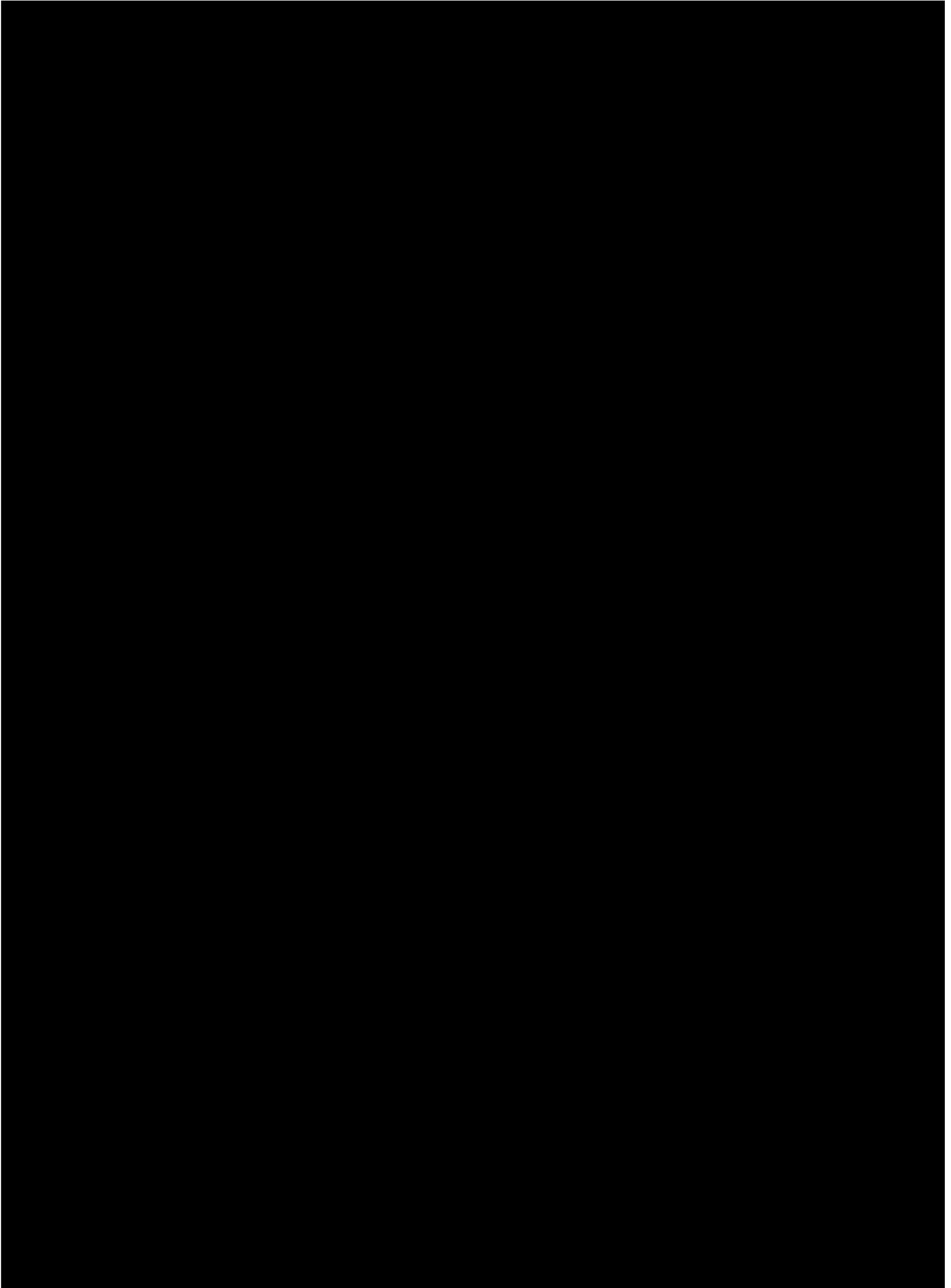
PI – And summary termination in my head would not be an appropriate method.

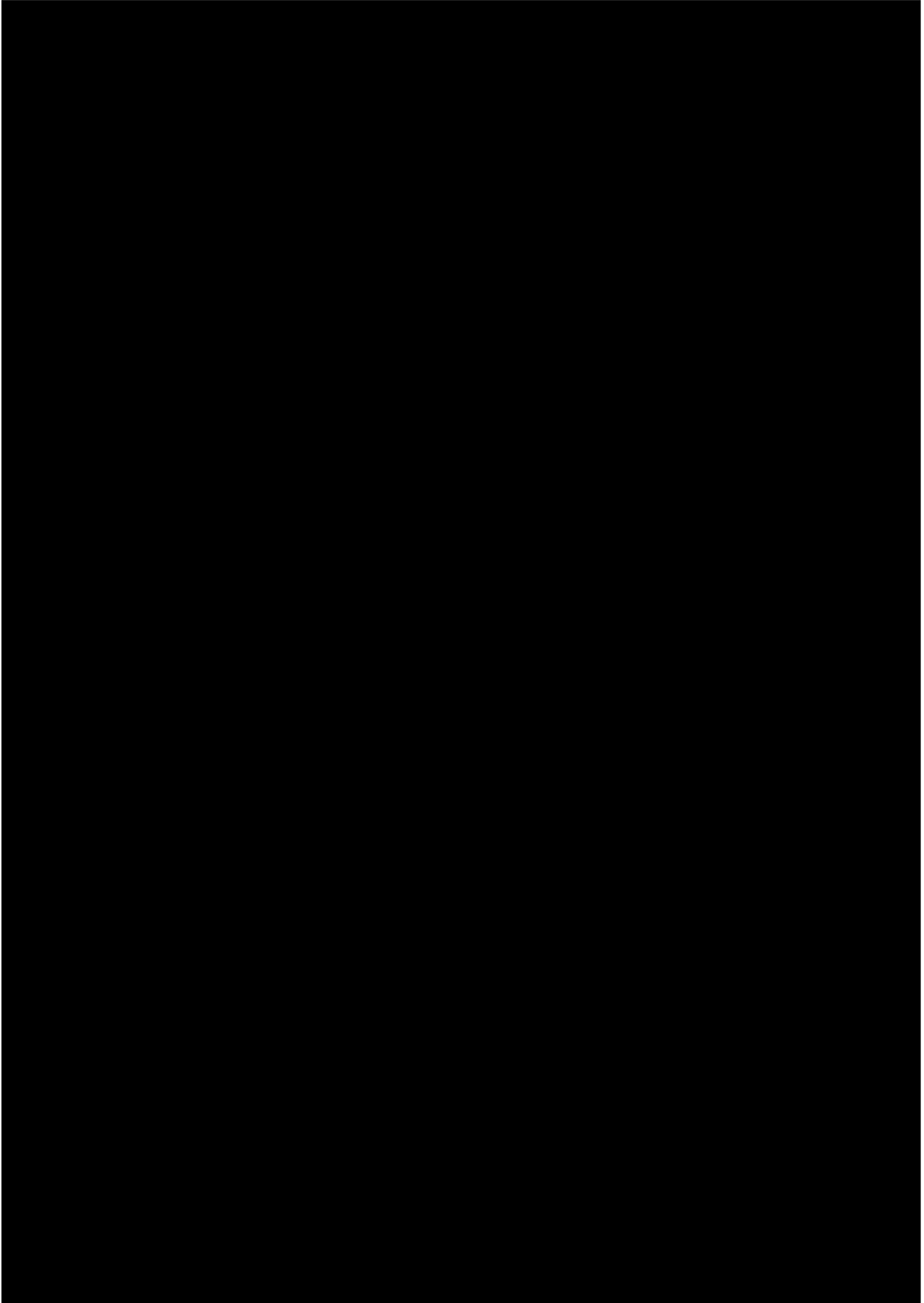
VB – No.

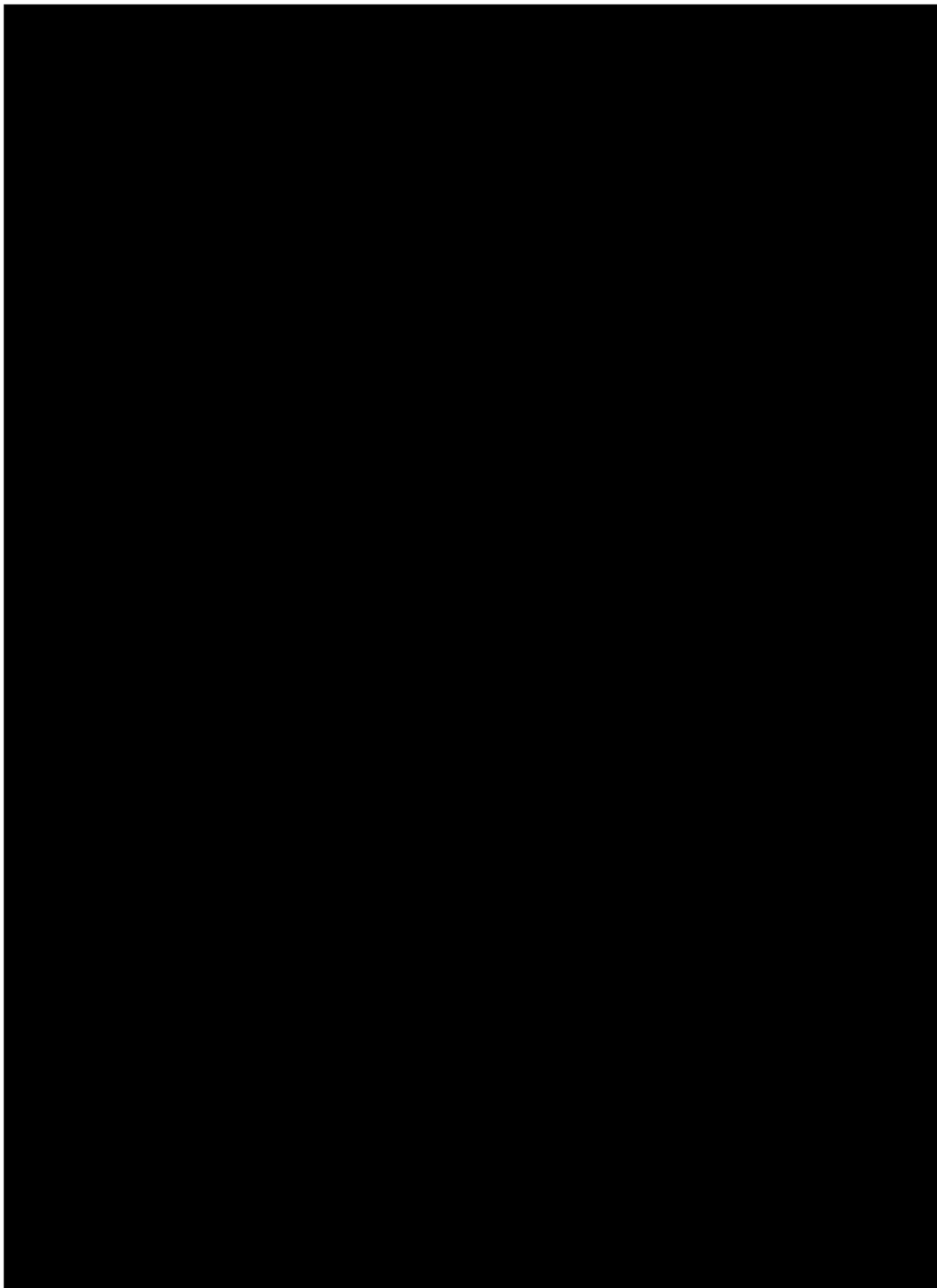


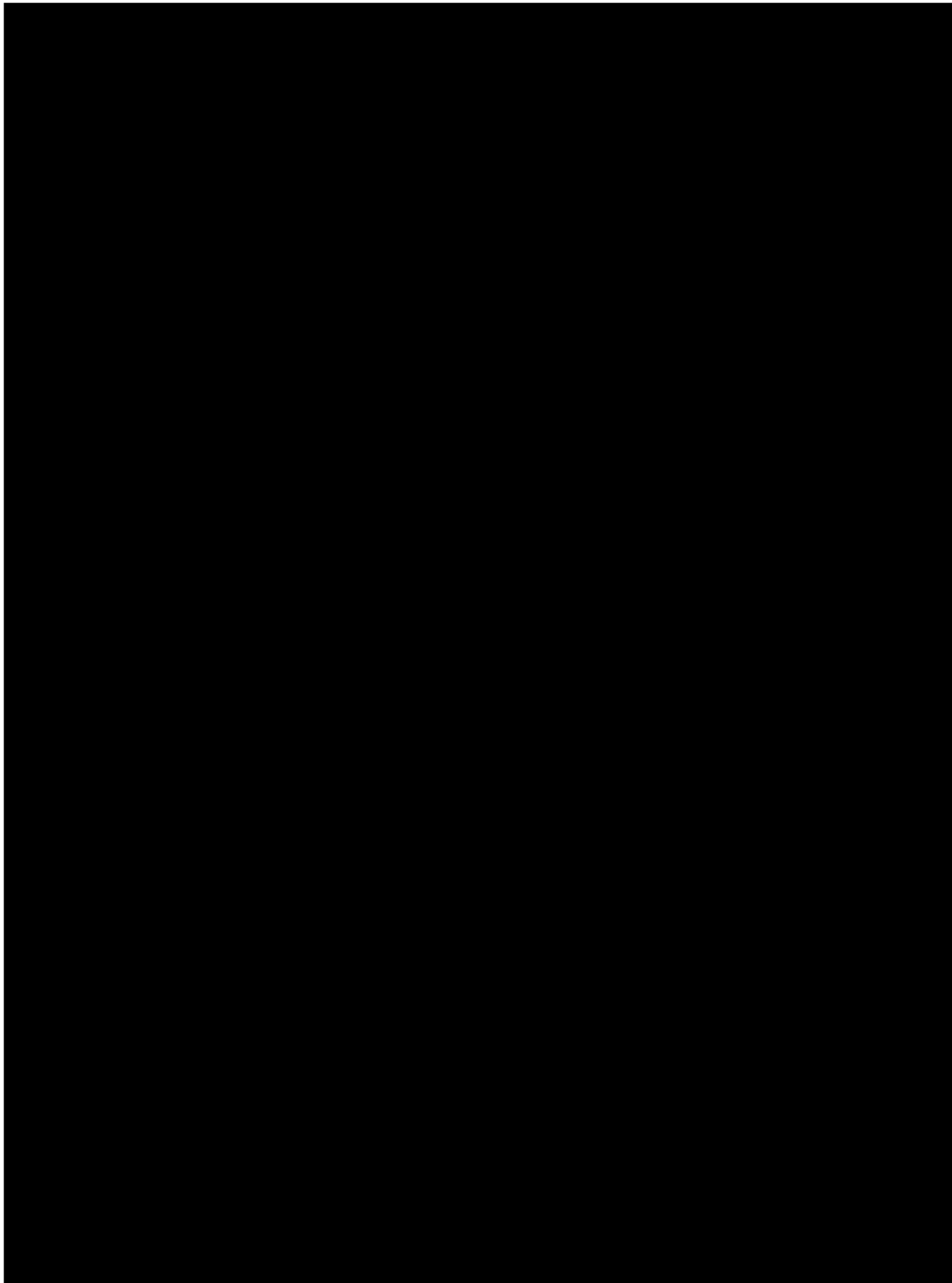


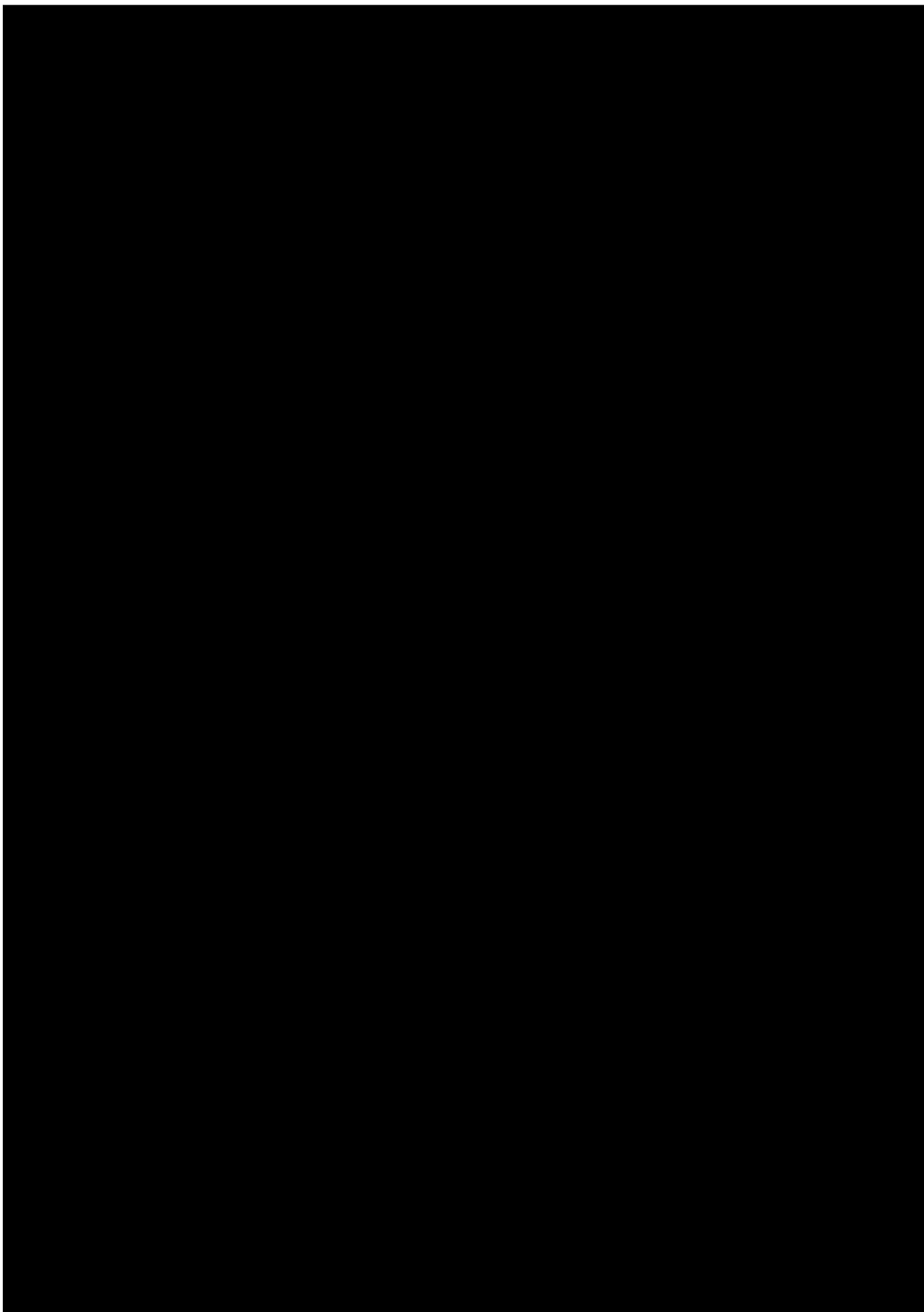












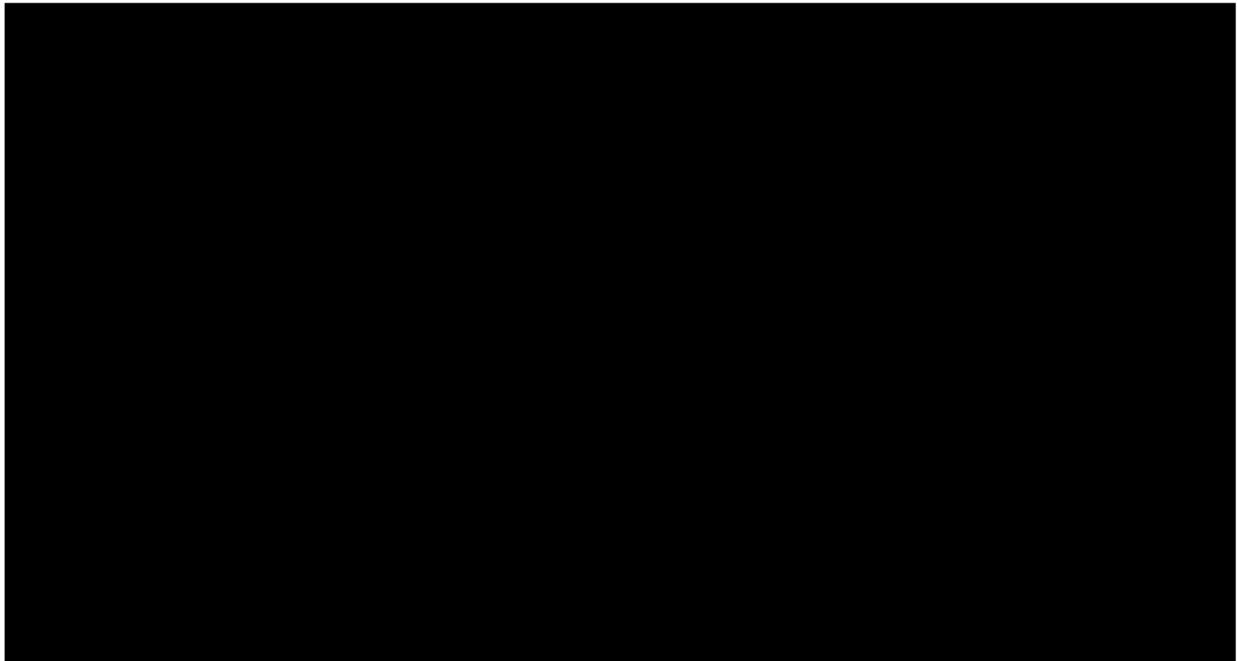
PI: I think it is mixed because some of the things that I have seen and I think some people have a really strong understanding of that. Some people would not think about it too much and I have issued guidelines previously of the dos and don'ts of handling agents whether people read them or not.

VB: I have read them.

PI: I am really glad you said that. Temporary agents this was on the back of Rashid case and I was about to issue further guidelines for substantive agents but decided not to until we have gauged where we are in terms of postmaster status and it would set hares running.

VB: Yes it is sensible not to create more documentation that might be discloseable probably.

PI: From time to time I have seen things that I have challenged that are not right but it is behavioural individual it is not institutionalised or systemic. I genuinely believe there has not been a wholesale misunderstanding about the relationship type here. Even when I was very junior and dealing with agents I got it very quickly.



VB: I remember that one I dealt with that one.

PI: And you know we told him to desist within the agreement.

VB: Do you remember what branch that was?

PI: Honnington

VB: Honnington

PI: Perhaps that is going back a while.

VB: That is going back a while. There was one with firearms [REDACTED] (11 of 11 – 14:09) firearms

PI: Was there?

VB: Yeah I do not know which one that was.

PI: We had a subpostmaster selling cocaine over the counter but that is going back a long time.

VB: I was not involved in that one.

PI: It was in the News of World so that does show you what can happen in terms of it was in Portman Heath in South East London what can happen.

VB: Portman Heath did you say?

PI: Yeah this was way back in the day. You are talking about 20 years ago I think. It was in the News of the World I think it was or similar [] (11 of 11 – 14:39).

VB: I am just thinking that little antidotes like that if that is something we were going to focus on which it probably is not

PI: Please don't [laughs]

VB: But that is a document we can find to back up the fact that.

PI: It is necessary to exercise some things like that because we are [] (11 of 11 – 14:59) in someone's premises. In a Crown office clearly we control everything.

VB: You would probably know if someone was selling cocaine [] (11 of 11 – 15:07)

PI: Unless they were very discreet. You know another example is non-compete restrictions so there is an element of control but then you have got the services general economic interest argument and the big brand argument. They cannot have a My Hermes on the premises if you have got - that is not something I want to draw attention to because we do have a pragmatic record of enforcement on non-compete restrictions particularly when it comes to strategic partners like ASDA or the Co-op Society's.

VB: Is the issue there that in that specific branch of Asda where there is a Post Office they may also be doing things that breach the non-compete or is it that in other branches of Asda they are doing it.

PI: No well if it is in other branches there is not a Post Office that is fine. It is relevant to the premises. [] (11 of 11 – 16:09) financial services they get an own brand waiver but they could have a problem with mails or bill payments and we are in a tight spot sometimes in that situation. Particularly the multiples that have got 200 sites or something because they have got more leverage effectively because of that. What do we do you know.

VB: And then the final one I have got is are you aware of any example of Post Office promising work to subpostmasters. I think we have covered that really.

PI: That is around mutuality of obligation.

VB: Because if they were I think the question must mean you will get some transactions for [] (11 of 11 – 16:55).

PI: I suppose it is possible to argue that when you acquire a Post Office you look at the advertisement and it says the remuneration will be between those two points and you could argue I guess its tenuous that we are promising you work that would give you a remuneration between those two points but how can we because the customer decides where they go and you only get paid according to the work you perform that comes through the door. In the margins we do have some arrangements called guided coalition so you would have an addendum to the contract that we do give them work and they will go out and support other postmasters and we would pay them on a day rate. Those sums and the work would be in the margins of the whole agreement. I think it would be very difficult to argue that changes the nature of the agreement.

VB: Well that is almost like it sounds to me that is more sort of control [] (11 of 11 – 17:53)
almost because they are successful at what they do so you want them [] (11 of 11 – 17:58)

PI: Yes exactly it is like a consultancy basis but it is an addendum to their contract. There are a small number of people I am not sure if they are still doing it but I have done those sort of contracts in the last sort of two or three years.

VB: It is good to hear about that sort of thing because then when it suddenly appears somewhere else it will make a lot more sense. We have pretty much covered everything but I can have a quick look through this other document I have got to just see if there is anything else since you seem to know about everything and what we have not covered with you but we have covered most things. There is one thing on here actually to do with mortgages and borrowing because you were saying [] (11 of 11 – 18:41) that was quite interesting earlier was to do with making something commercially that you would lend against it well not you, but banks could.

PI: It's something to do with discretionary fund

VB: Is there anything else around mortgages and borrowing that is your bag. Probably not.

PI: Whether they do do that is discrete to me and it would manifest itself in the business plan I would guess.

VB: Okay that is fine I just knew I had a question about that so I thought I would ask you. One thing I will be speaking to John Breeden about is contact and support during the ongoing relationship. We have spoken to you a bit about that to do with your contract advisor role. Is there anything more you can add to that in terms of what you used to do when you were a contract advisor. Would it be involving contacting postmasters?

PI: You would only deal with someone generally if things are going wrong. What happens nowadays is that some of our sites are account managed in that they would have a dedicated area manager. There used to be far more of them doing that but to cut costs so you have got the top end say 2,000 to 3,000 account managed sites with a heavy sales and customer service focus. The rest is sort of managed on a remote reactive basis really but the branch standards team would get involved if something is going wrong but there is not that pastoral sort of element because the estate is just way too big and it's too expensive.

VB: Where you doing that pastoral element when you were.

PI: Yeah when I was an R&M. [] (11 of 11 – 20:22) you go out and

VB: But not a contact advisor.

PI: No that was just

VB: That is more of it's gone wrong I need to deal with this.

PI: Births and deaths really. Most of your time now would be spent either appointing people or sacking people as a contract advisor and some stuff in between like burglary and robbery. Other types of contract breach, customer complaints and so on.

VB: So thinking back to R&M and RLM did you go and see people in branches a lot or what did you sort of typically do?

PI: Most of your week would be spent either in branch or driving between branches and some admin work in an office but you were on the road a lot of the time just driving around for the pre-arranged visits or sometimes unannounced visits. Checking standards in the branch. Talking to the postmaster about how their business was going generally. Looking at their accounts and various other internal controls that they should have.

VB: And if they had an issue at the point when they saw you and it seemed to you that they require training would you have done anything about that?

PI: Yes you could arrange for remedial training or provide it yourself on site.

VB: But this role that you did was before Horizon wasn't it?

PI: Yeah it was I was an area manager during the time of Horizon. Yeah in Crowns and agency branches. Yes I think so I cannot remember when Horizon was introduced now.

VB: 2000

PI: Yeah so maybe at the end of my time as area manager I was not a contracts advisor until 2001. 2001 probably early 2002 so I would have experienced all [] (11 of 11 – 22:23) in the estate.

VB: So were you involved when it switched from manual to Horizon were you involved in that rollout.

PI: I did yeah I did evening visits to do the actual physical, not the installation of the kit, but there would be a count up of the cash and stock and then an input into the new system and I can remember being around in the Croydon area at that time that was huge.

VB: Was there anything about that that particularly sticks out to you now. Any problems that people had or what the reaction to it was?

PI: I think the only thing that sticks in mind was just getting to grips with the end of week balancing procedures. Not in that there were losses just the amount of time it was taking and the general understanding of that process. I do not remember and I would have any sudden spike in accounting losses around that time.

VB: [] (11 of 11 – 24:00) all of the questions. We covered some of these without actually looking at the questions. Some of these I have got lots of people to speak to about [] (11 of 11 – 24:18)

PI: I will be around tomorrow you know for the next hopefully two years at least.

VB: I think that is it unless there is anything that you want to ask us or anything else you want to tell us. You have told us a lot of stuff.

PI: I have yes it has been a long day.

VB: Yes you must be really tired actually.

PI: Yes I do feel that. No I had a chat with Rod and I understand what is going on in the process and all of that and he explained everything and what happens next so if anything jumps into my head that I have not provided I will drop you a line but I think I have had a good think about everything you have said. I do not see everything but the stuff where I am confident I have sort of said it as it is really.

VB: It sounds like you have had a really interesting experience of different roles culminating in the role you are doing now and I think that is really useful for us actually because it is good to speak to people like you who have been in the business a long time because you can see the changes that there have been and also that shows how you can then be so good at the policy aspect.

PI: It was a natural thing to do I think after my experiences. Anyone who has been frustrated with a contract or a policy and you get the change to design it that is quite cathartic or see things that have not changed because not everything has and we have got issues today that were there prior to automation as I have said and I think a lot of people sort of forget. I was watching the Inside Out programme ages ago about [] (11 of 11 – 26:20)

VB: Which one is that. Is that the one where he goes around on the little red motorbike?

PI: Yes that is the one and I was sitting there thinking all the things were happening before Horizon so what is this?

VB: That was very fluffy that programme.

PI: I think one of them is the One Show which was such a lightweight programme and it was you are absolutely right and I was thinking if one of my staff had stolen money from me that is quite difficult to accept or you may not know about it so you know I know there are some really bad outcomes some people went to prison obviously but you know that evidence has been put in front of a jury hasn't it and they have had to make their own minds up.

VB: And they have got a different standard of proof then we have [] (11 of 11 – 27:02).

PI: Yeah exactly beyond reasonable doubt.

VB: So you kind of think can it really be wrong.

PI: If I had stolen money I would not want to admit it on television and almost you convince yourself it was not you and it was the Post Office's fault and you were put in that position. I think there was a lot of emotion in all of that and maybe not so much logic. You know accounting systems do not steal money do they but people do.

VB: I found it very interesting some of them mediation cases and I think they have [] (11 of 11 – 27:30) to the claimants where they story, I was involved at the time with franchise agreements and I know what the story was at the time and the story is totally different now.

PI: [] (11 of 11 – 27:42) all recognition

VB: If you think one person can do that then certainly more than one can do that.

PI: Particularly where there is a pot of gold perhaps at the end of that rainbow.

VB: And they have just forgotten. I think some of them genuinely think.

PI: They have convinced themselves that they are innocent actually and it may not have been culpability but it is capability and that is difficult to accept because you try hard to run a business for the right reasons and it is a tough one. I think there was a lot of adding in but hopefully that will come out.

VB: So from my point of view it has been really useful so thank you every so much. I always find talking to people from Post Office really interesting any way. It is such an interesting business that does affect all of us. We all go to the Post Office and it is interesting to hear how it works but it is also very interesting from the point of view of the case.

PI: Good if there is anything more then drop me a line and I guess we can talk again about this. As I have said I am more than happy to help out and in any way you need it and I am quite confident.

VB: I appreciate it. It is a big commitment to give up the whole day so thank you very much.

PI: No it's fine it is important. We want this to go away don't we and get a good outcome so investment of my time is nothing is it.

VB: Thank you anyway.

PI: Good luck I do not envy you going through all that.

VB: I will stop the recording as it is 4.10pm.

