

Transaction Correction Process V6b draft

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| Document Title | Transaction Corrections Process Review for Agency Branches |
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Transaction Correction Process**Background**

The objective of Product and Branch Accounting (P&BA) is to balance the ledgers between clients and Post Office® branches, in order to produce accounts for clients and Post Office® Ltd that accurately reflect the transactions that are conducted over our branch counters. If any discrepancies are found during this process of matching the data, a Transaction Correction is issued to the relevant Post Office® branch to rectify the account. This usually has a financial impact on the branch, by either the subpostmaster having to make good any shortfall in cash, or receiving a credit for mistakes that have been identified.

If the Post Office® branch makes a mistake that cannot be identified and linked to a client, i.e., too much change has been given to a customer, this would result in a Branch Discrepancy which would be realised at Branch Trading. The subpostmaster would be responsible for making good any losses.

Purpose

A number of issues have been identified with the Transaction Correction Process that has a negative impact both within the Network Directorate and on the financial performance of Post Office® Ltd. The purpose of this document is to highlight the issues and make recommendations as to how they can be resolved. What will not be addressed will be those issues that require a system change to resolve as these must be progressed by P&BA.

Scope

This document will highlight the process for independent agency branches within the commercial and community segments. It will not deal with the process for settling the branch account within the Crown and multiple networks. Although these Post Office® branches receive Transaction Corrections, the method of collecting outstanding debt follows a different process.

IssuesTimeliness of Issuing Transaction Correction

The time taken to issue Transaction Corrections can be slow, including some cases where it has taken 2 years to clear the ledger. Not only does this delay the time taken to recover outstanding debt, but it also leaves the subpostmaster feeling frustrated that they are being notified to rectify a mistake that they may not remember, or where the evidence has been destroyed that would support a dispute to the Transaction Correction.

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Disputing the Transaction Correction

The current process for disputing Transaction Corrections allows the subpostmaster to challenge the error at every stage of the process, even after pressing the button on the Horizon system to settle the debt centrally. This delays the process in recovering any outstanding monies, and can be used as a deliberate delaying tactic in order for to delay making payment.

Where the subpostmaster has challenged the Transaction Correction, despite the Product and Branch Accounting Team being confident that it is correct to issue, these disputes are currently being passed to the Outlet Intervention Team and Business Development Managers to resolve. Prior to the Organisation Design Review, visits could be requested through Area Performance Managers who would arrange intervention to branches to resolve the issue. The resource to do this since the restructure has dramatically reduced and it is arguable whether the field teams would have the knowledge to find a suitable resolution.

There is an unclear escalation process both within P&BA and within the retail line. This is not helped by the fact that the information that is passed to the teams to resolve the issue is often vague.

Timeliness of recovering debt

If a subpostmaster chooses to settle any outstanding debt centrally by pressing the button on the Horizon system and they do not make payment, a formal concurrence is sent to the Contracts Advisor for authorisation, regardless of the amount. This means that a piece of paper needs to be agreed for amounts as little as £150 for a Post Office® branch that receives an annual remuneration of £60,000. This is not only resource hungry for the Contracts Advisor, but it delays the time in recovering the outstanding debt.

There is the opportunity to delay the recovery of debt for 27 days for subpostmasters who opt to settle centrally. This option can be selected on the Horizon system for discrepancies of over £150, where the subpostmaster chooses not to make good immediately. The subpostmaster currently has 10 days to settle the account from when the first statement is issued, a further 10 days after the second reminder and finally a further 7 days after a third reminder.

Recommendations

The revised process that incorporates the suggested changes has been included in the Appendices. Appendix 1 outlines the process for issuing a Transaction Correction, Appendix 2 outlines the process for disputing a Transaction Correction, and Appendix 3 outlines the process for Deducting Debt from Remuneration. However, the key proposals are outlined below.

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Timeliness of the Transaction Correction

The timeliness of issuing the Transaction Correction can be attributed to resource levels within P&BA, which is outside of the control of the Network Co-ordination Team. However, an improvement opportunity is to have more effective communication between P&BA and Network. This will ensure that Network are aware in advance of delays with issuing Transaction Corrections, understand the reasons for the delay and anticipate the impact on Post Office® branches and subpostmasters. It will then be the role of Network Co-ordination to communicate the messages to key stakeholders who include: Contract Advisors, BDMs, P&BA, OIT and the Helpline. The result will be a consistent message given to all who may be involved in any future disputes.

Disputing the Transaction Correction

1. Opportunity to dispute

The proposal is to continue to give the subpostmaster opportunity to dispute the Transaction Correction, at any point within the process.

2. Full dispute investigation with P&BA

Any dispute that is raised by the subpostmaster should be fully investigated within P&BA. This should involve examining paperwork and supporting documents that the subpostmaster submits to dispute the Transaction Correction. If the issuer of the Transaction Correction is challenged and cannot agree with the subpostmaster, the case and supporting evidence should be passed to the team manager. If the manager cannot resolve the issue, it should be passed to the second line manager/accountant for the relevant product. It is the P&BA team who have all the knowledge relating to the TC and the reasons for the issue, and therefore the authority on the validity of the issue should remain in the team. If after investigation, the team are confident that the TC should stand and the subpostmaster refuses to accept it, the issue should be passed to the Contracts Advisor to take the relevant Corrective Action to ensure that the debt is repaid.

Timeliness of Recovering Debt

The acceptable agreement is that any combined repayment of new and existing debt would be no more than 25% of remuneration for branches with a remuneration of £25,000 and over and 15% for those branches with remuneration of less than £25,000. The debt must be repaid within a 12 months maximum period. The formula will be based on the previous 6 months remuneration payments as a method of averaging subpostmasters' monthly pay to ensure a fair deduction. This process will also require the Contracts Advisor to manually check for existing hardship payments or current deductions from remuneration. If the debt exceeds the amounts, concurrence must be passed to the National Contracts Advisor for authorisation.

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The formula for establishing the monthly payment is identified below:

Month 1: Month 6 = £x

$\text{£x} \div 6 = \text{Average remuneration per month}$

Average remuneration x (25%) = Monthly payment for branches with more than £25,000 remuneration

Average remuneration x (15%) = Monthly payment for branches with less than £25,000 remuneration

1. 14 days to pay debts over £1000

Where the subpostmaster chooses to settle centrally, statements will be sent to branch giving 14 days in which to pay their outstanding account. Where payment has not been made within the 14 days, the branch name will appear on a weekly spreadsheet that will be sent to the Contracts Advisors in Network, along with a current DFR report, (Appendix 4 and 5), from P&BA in Chesterfield. This will be for amounts of £1000 or over. The Contracts Advisor will contact the subpostmaster regarding payment for the debt. The subpostmaster, during this call will then have the opportunity to respond to how the amount will be settled. They have the option to pay by cheque, credit or debit card by giving their details at the time of the call.

Where the subpostmaster wants to repay the debt in instalments, the amount must be agreed with the Contracts Advisor. The reason for involving Contracts Advisors at this stage is that they have proven to be able to recover debt, due to their knowledge of the subpostmaster contract and the clauses within which they can quote.

2. 21 days to pay for debts under £1000

Items for less than £1000 will receive a reminder letter giving 7 further days in which to pay. If payment is not made in this time then debt recovery processes will be instigated by P&BA. to timescales outlined within POLFS.

Next Steps

1. The spreadsheets are sent on a weekly basis to the Contracts Advisors for action by the Current Agents Debt team within P&BA. (Appendix 4 and 5).
2. A check is to be made if an ACC is required
3. Communication to Network and stakeholders
4. Communication will be sent if necessary, to the Federation of Subpostmasters

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Costs

There will be a risk to resource time for the Contracts Advisors who will make calls and liaise with P&BA. Hopefully this will be outweighed by the amount of debt recovered and reduced admin time in processing concurrence.

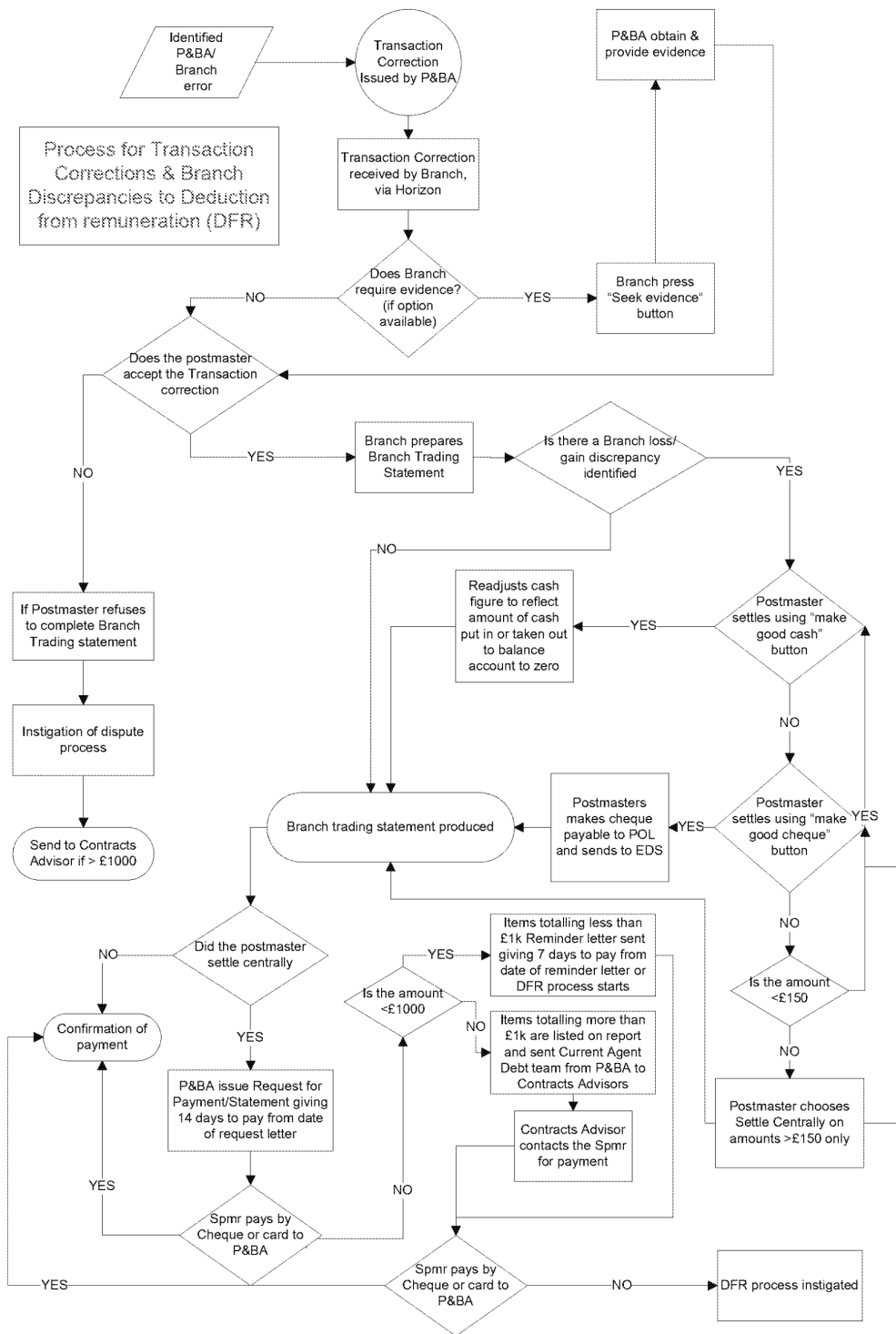
Review

The National Contracts Managers have given their teams this as a personal objective and may require changes depending on its success. Amounts reclaimed from subpostmasters will be recorded for monitoring purposes.

Measures

Reduction of debt
Spmr repaying debt more quickly
Issues resolved within P&BA
Customer Satisfaction from the Network

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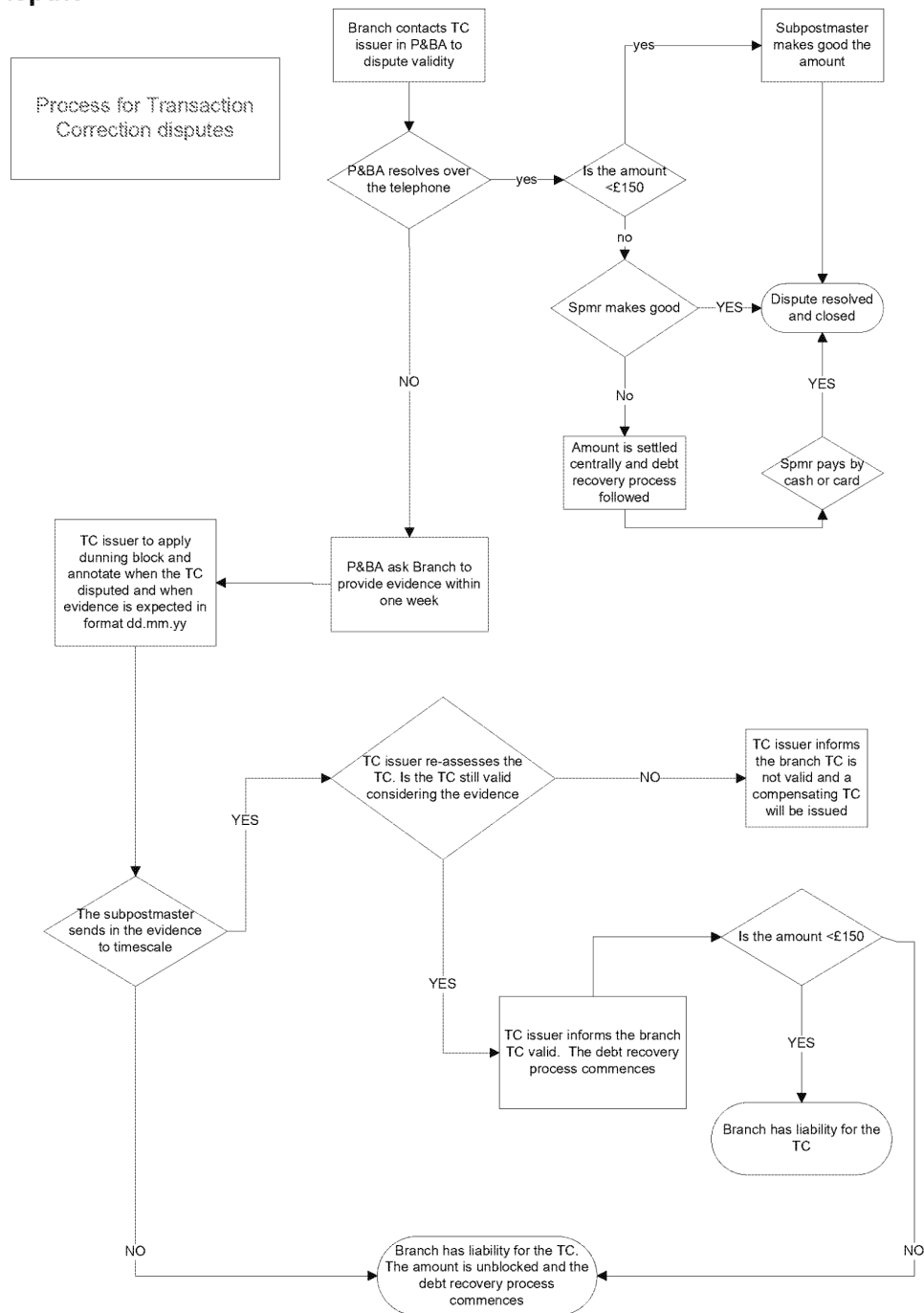
Appendix 1
TC process

Please note: The acceptance of a TC may still result in a dispute. Branch Trading may force the acceptance of the TC on the

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Horizon system to enable the kit to roll over.

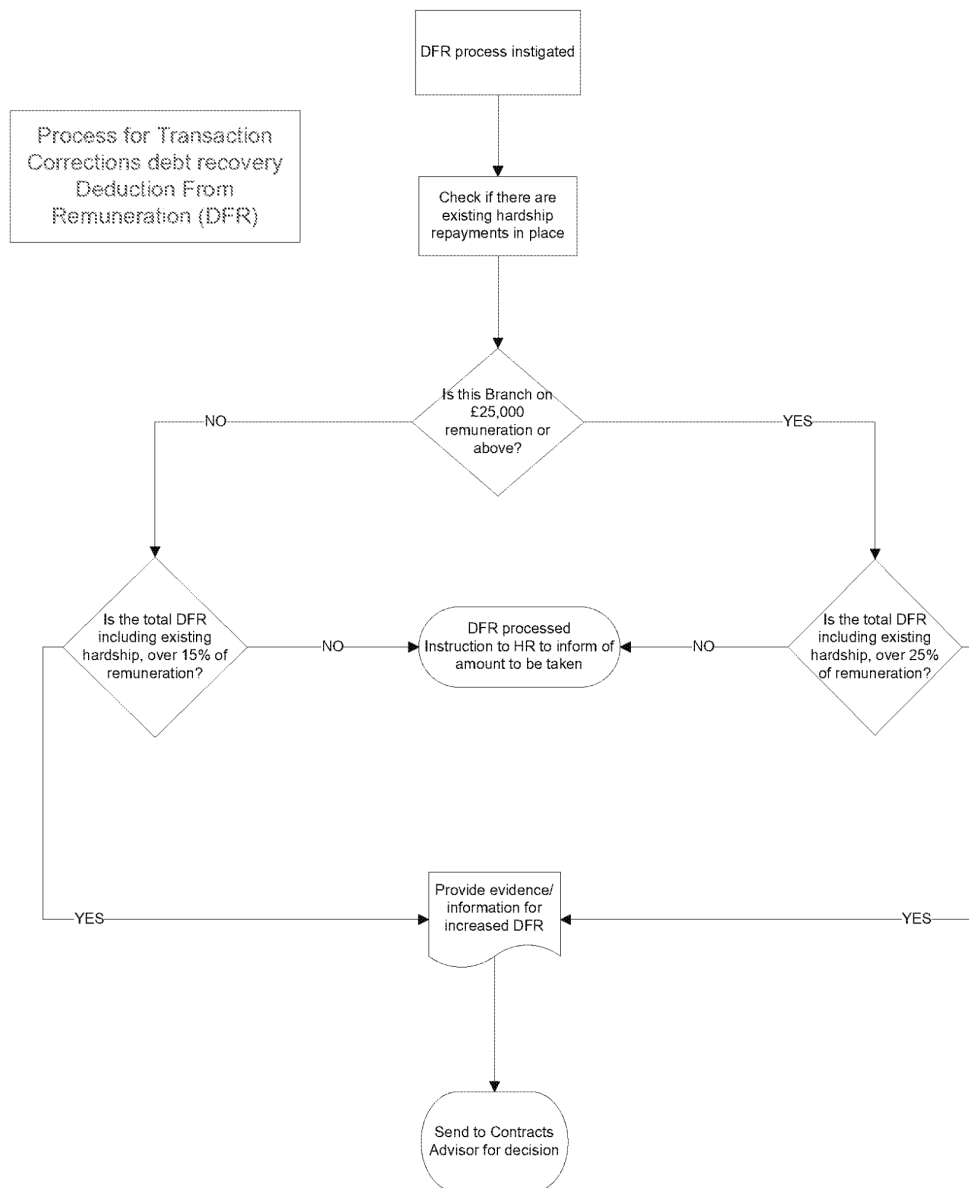
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Appendix 2
Dispute

Please Note: There is a blocking process in a separate document

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Appendix 3 Process for Deduction from Remuneration (DFR)



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Appendix 4
Concurrence Report

| Pmr Remuneration | DFR Number of Instalment Months & Instalment Details | Cheque Payment Made | Credit/ Debit Card Option | Customer Account Number | Document Type (BD, TC or DZ) | Document Date (Date of BD or TC settled centrally) | Branch Trading Date | CAD Team Comment |
|------------------|--|---------------------|---------------------------|-------------------------|------------------------------|--|---------------------|-----------------------------|
| 2,225.26 | | | | GRO | BD | 21/06/07 | 20/06/07 | Letter sent to Pmr 26/07/07 |
| 4,431.51 | | | | | BD | 21/12/06 | 20/06/07 | Letter sent to Pmr 26/07/07 |
| 4,431.51 | | | | | BD | 24/01/07 | 20/06/07 | Letter sent to Pmr 26/07/07 |
| 4,431.51 | | | | | BD | 21/02/07 | 20/06/07 | Letter sent to Pmr 26/07/07 |
| 2,353.04 | | | | | BD | 26/04/07 | 20/06/07 | Letter sent to Pmr 26/07/07 |
| 2,353.04 | | | | | BD | 21/03/07 | 20/06/07 | Letter sent to Pmr 26/07/07 |
| 2,353.04 | | | | | BD | 21/02/07 | 20/06/07 | Letter sent to Pmr 26/07/07 |
| 1,613.62 | | | | | BD | 21/06/07 | 20/06/07 | Letter sent to Pmr 26/07/07 |
| 1,613.62 | | | | | TC | 20/06/07 | 20/06/07 | Letter sent to Pmr 26/07/07 |
| 1,613.62 | | | | | TC | 20/06/07 | 20/06/07 | Letter sent to Pmr 26/07/07 |
| 1,613.62 | | | | | TC | 20/06/07 | 20/06/07 | Letter sent to Pmr 26/07/07 |
| 1,826.88 | | | | | BD | 25/05/07 | 20/06/07 | Letter sent to Pmr 26/07/07 |
| 1,826.88 | | | | | BD | 25/11/06 | 20/06/07 | Letter sent to Pmr 26/07/07 |

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Appendix 5

DFR report

| FAD Code | Office Name | Head of BD | BDM | Contracts Advisor | Current Loss | Date deductions started | Date deductions due to end | No of instalments | Deduction Amounts | Total loss settled centrally by branch | Approximate Monthly Remuneration | Comments |
|----------|--------------|------------|-----|-------------------|--------------|-------------------------|----------------------------|-------------------|-------------------|--|----------------------------------|----------|
| 123456 | xxxxxxxxxxxx | | | | | N/A | N/A | N/A | £394.80 | | | |
| 123456 | xxxxxxxxxxxx | | | | | N/A | N/A | N/A | £301.63 | | | |
| 123456 | xxxxxxxxxxxx | | | | | N/A | N/A | N/A | £633.50 | | | |
| 123456 | xxxxxxxxxxxx | | | | | May-06 | Jul-06 | 3 | £145.28 | | | |
| 123456 | xxxxxxxxxxxx | | | | | N/A | N/A | N/A | £250.00 | | | |
| 123456 | xxxxxxxxxxxx | | | | | May-06 | Nov-06 | 7 | £47.75 | | | |
| 123456 | xxxxxxxxxxxx | | | | | May-06 | Sep-06 | 5 | £127.08 | | | |
| 123456 | xxxxxxxxxxxx | | | | | N/A | N/A | N/A | £81.38 | | | |
| 123456 | xxxxxxxxxxxx | | | | | May-06 | Sep-06 | 5 | £110.05 | | | |
| 123456 | xxxxxxxxxxxx | | | | | May-06 | Dec-06 | 8 | £200.00 | | | |
| 123456 | xxxxxxxxxxxx | | | | | May-06 | Mar-07 | 11 | £119.20 | | | |
| 123456 | xxxxxxxxxxxx | | | | | May-06 | Mar-07 | 11 | £73.28 | | | |
| 123456 | xxxxxxxxxxxx | | | | | May-06 | Aug-08 | 28 | £330.00 | | | |
| 123456 | xxxxxxxxxxxx | | | | | May-06 | Jul-06 | 3 | £100.00 | | | |
| 123456 | xxxxxxxxxxxx | | | | | May-06 | Jun-06 | 2 | £107.57 | | | |
| 123456 | xxxxxxxxxxxx | | | | | May-06 | Mar-07 | 11 | £224.57 | | | |
| 123456 | xxxxxxxxxxxx | | | | | May-06 | Jul-06 | 15 | £1,451.02 | | | |
| 123456 | xxxxxxxxxxxx | | | | | May-06 | May-06 | 1 | £258.16 | | | |
| 123456 | xxxxxxxxxxxx | | | | | N/A | N/A | N/A | £2,500.00 | | | |
| 123456 | xxxxxxxxxxxx | | | | | N/A | N/A | N/A | £331.32 | | | |
| 123456 | xxxxxxxxxxxx | | | | | May-06 | Jul-06 | 3 | £308.51 | | | |
| 123456 | xxxxxxxxxxxx | | | | | May-06 | Sep-06 | 5 | £25.44 | | | |