

## Message

**From:** Craig Tuthill [GRO]  
**on behalf of** Craig Tuthill [GRO]  
**Sent:** 12/02/2014 18:36:12  
**To:** Angela Van-Den-Bogerd [GRO]; Nick Beal [GRO]; John Breeden [GRO]  
**CC:** Lin Norbury [GRO]; Paul Inwood [GRO]  
**Subject:** RE: MoneyGram Fraud

Angela

Understand there will need to be a higher level decision to recover, which may be outside of existing process, but will ask Paul to start turning the approach below into a policy paper for formal circulation

Regards

Craig

Craig Tuthill | Head of Network Services



c/o Stephanie Lawrie, 1<sup>st</sup> Floor Bunhill Row Wing, 148 Old Street, LONDON, EC1V 9HQ



GRO



[craig.tuthill](mailto:craig.tuthill@postoffice.co.uk) [GRO]



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**From:** Angela Van-Den-Bogerd  
**Sent:** 12 February 2014 18:32  
**To:** Craig Tuthill; Nick Beal; John Breeden  
**Cc:** Lin Norbury; Paul Inwood  
**Subject:** RE: MoneyGram Fraud

Craig,

Nick is quite right to flag that there needs to be a business decision on whether we recover these losses from agents and if so where the dial is set eg 100%; 90%; 50%. On the basis that this decision is taken then I endorse the approach you've outlined below.

Thanks,  
Angela

Angela Van Den Bogerd | Head of Partnerships



148 Old Street, LONDON, EC1V 9HQ



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[angela.van-den-bogerd](mailto:angela.van-den-bogerd@postoffice.co.uk) [GRO]



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**From:** Craig Tuthill  
**Sent:** 12 February 2014 12:51  
**To:** Nick Beal; John Breeden  
**Cc:** Lin Norbury; Paul Inwood; Angela Van-Den-Bogerd  
**Subject:** RE: MoneyGram Fraud

Nick

We were tasked within AP's to develop a rationale for the approach by 19<sup>th</sup> Feb - if there is broad agreement from all recipients that could be considered done and Paul can look to take further and put a policy doc together which would go through the normal review process? Paul and I are meeting tomorrow and I can talk through with him - Angela, in is the general approach so far one you would endorse?

Craig

PS Nick the quotes are from docs on the SharePoint site for agency contracts team - I'll track them down later!

Craig Tuthill I Head of Network Services



c/o Stephanie Lawrie, 1<sup>st</sup> Floor Bunhill Row Wing, 148 Old Street, LONDON, EC1V 9HQ



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**From:** Nick Beal  
**Sent:** 12 February 2014 12:31  
**To:** Craig Tuthill; John Breeden  
**Cc:** Lin Norbury; Paul Inwood; Angela Van-Den-Bogerd  
**Subject:** RE: MoneyGram Fraud

Thx Craig, my thoughts as follows. I assume we will discuss further as a group.

Apologies for presenting this in isolation but I thought it better to get something in writing for us to then discuss/amend etc.

The papers we have circulated earlier and the Q&A from Ruth do make it clear that operational procedures have not been followed by the 13 impacted agents therefore the liability for the losses incurred is with them.

Our earlier view, and unless you tell me otherwise I do not think it has changed, is that we should mirror as far as is practicable existing policies on debt recovery and the assessment of hardship that this may cause[NB1]. Our overall intention is not to cause any agent to go out of business by being insensitive to the individual circumstances of that agent through our pursuing a debt without reference or regard to those circumstances. There is the additional concern of potential negative publicity at a time when good progress has been made in terms of the mediation process and support generally for our agents

I have copied Paul Inwood into this note as I think Paul is best placed to recover the references that can be used for the existing policies which can then be presented in a non-precedent setting package to give our CA's the advice and ability to respond to this fraudulent activity. It is worth noting that John and I did express a view that we would have one person dealing with[NB2] this rather than individual CA's so we ensure consistency of approach. Can you have a look please Paul?

I use an existing reference to "losses caused by fraud" and quote:-

***"Where there is evidence of negligence, the amount payable to be determined in relation to the degree of negligence, the SPMs net earnings, length of service, accounting record and financial circumstances generally. The amount should not be such as to cause hardship[NB3]"***

For each case therefore I would see the following:-

**1. Establish the degree of culpability:-**

- Degree of personal involvement[NB4] of operator[NB5]
- The experience/inexperience of the operator[NB6]
- Level of training and awareness of staff if operator not involved directly. Are internal branch procedures in place for dealing with MBS etc. (if not followed in this instance, why not?)
- Was the point above a contributor to the lack of prompt action, and which may therefore have resulted in prevention of or greater loss. Was there a degree of neglect (lack of operational support to staff, training, etc.) prompted by cost saving?
- Was there a failure to respond to advise (after MBS) or did action within branch prevent to further losses?
- Were there multiple events?
- Was there prompt reporting upon discovery?
- Was immediate action taken to recover by co-operating with MoneyGram. Police/Grapevine?
- What is the accounting and error history of this branch, is this a one off?
- Previous experience/volume of MoneyGram transactions – operator, staff, branch

I think it is at this stage we would also seek any indication of a "special reason" for not recovering[NB7], this would normally in other external matters relate purely to the event/loss itself but for purposes of our contractual relationship with an operator I think we may want to consider matters such as known illness, family bereavement etc. and have the ability to exercise compassion where appropriate, there may not be such examples in this particular instance but there needs to be a degree of flexibility I think[NB8] ?

The list above is not exhaustive so please add to it, but we could turn these into a table which while still expressing the existing policy is specific guidance for this MoneyGram occurrence and laid out as:-

**2. Indicating lower culpability[NB9]**

We should establish the degree of culpability, above, without any regard to personal financial circumstance and this should be expressed as a %, and without reference to an amount of money when establishing that percentage.

To make that live a bit we could have agent A who was not present on day, but who had a designated OIC with specific training, instructions and escalation/contact point, in a normally compliant and non-error laden branch, who was taken in once, then realised error and contracted Grapevine, this would be at the lower end of culpability. Agent B was in the branch, did not respond to the MBS (loss occurred after 2 MBS), spent 2 hours on phone and undertook multiple transactions, has a history of errors, did not declare until contracted by Grapevine would be high end, so one could be 50% and the other 100%?

Having established a % we can now look at the financial exposure of the operator and his ability to make good the "£'s" arrived at. We can do this by assessing what, if any, "**hardship**" may result if the contractual liability was met immediately, and in full, by the agent/operator,

**"Exceptional hardship"** I would venture to suggest would be if an operator is be unable to continue in business if payment is made immediately, and "**hardship**" could be classed as if the operator paid the acknowledged liability immediately it would leave him in a poor financial position that he could not have reasonable foreseen and made provision for, and although not in immediate risk of losing his business is in danger of doing so. This should be an assessment recognising that in normal course of business operation an agent must make provision to make good losses, so we are talking about a level of loss that could not have been reasonable foreseen by a reasonable operator conducting his normal business and receiving normal income. It should be for the agent to demonstrate and prove the severity of the imposition of the contractual liability and present evidence to support it[NB10] .

At this stage I would again go to an existing quote[NB11] :-

**"When deciding the repayment terms (amount and duration) for hardship the Contract Advisor should consider the financial position of the Operators' business rather than just the Post Office remuneration. This position will need to be validated by asking the operator to provide business accounts and business plan so that an informed decision can be made after considering the income, liabilities and profit of the business in determining the strength of the business. In all cases steps should be taken to understand what insurance over the Operator has"**

## 2. Eventual Liability

For each branch therefore there will be a known income and operating profit within which operator drawings and personal liabilities need also be assessed.

Have you a view as to personal liability beyond company assets for those operators of new modal contracts? I'm thinking here of personal savings? (Paul?)

My first thought would be a concession with the length of repayment, with anything from 12 to 60 months[NB12] on the basis it is better to recover money than lose it all together, or force an operator out of business. We would probably need a set % of operating profit that would be considered reasonable to be repaid? If that "reasonable" payment from operating income cannot see full repayment within say, 60 months max, should we look to reduce that liability to ensure it does remain within that 60 month (or should it be fewer months?), on the basis there should be "light at the end of the tunnel[NB13] "? The % repayment would therefore remain proportionate to the income generated by the overall business and therefore ability to pay, rather than be a set % of PO remuneration or a have a ceiling of an amount of money?

If a branch is leaving under NT then debt could be held until NT payment made[NB14] .

A starter for ten all please feel free!



Nick Beal | Head of Network Development



1<sup>st</sup> Floor, 148 Old Street, London, EC1V 9HQ



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**From:** Craig Tuthill  
**Sent:** 11 February 2014 14:28  
**To:** Nick Beal; John Breeden  
**Cc:** Lin Norbury; Paul Inwood; Angela Van-Den-Bogerd  
**Subject:** MoneyGram Fraud  
**Importance:** High

Nick, John

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The papers we have circulated earlier and the Q&A from Ruth do make it clear that operational procedures have not been followed by the 13 impacted agents therefore the liability for the losses incurred is with them.

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1. Indicating higher culpability
2. Indicating lower culpability

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Regards  
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Craig Tuthill I Head of Network Services



c/o Stephanie Lawrie, 1<sup>st</sup> Floor Bunhill Row Wing, 148 Old Street, LONDON, EC1V 9HQ

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