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Post Office Ltd.
Registered in England and Wales
Number: 2154540.
Registered office:
80 - 86 Old Street,
London, EC1V 9NN.

Hi Lane

Remarks received for calls log

With our compliments

at call centre between 16.04 - 28.04

There is no follow up report as there has never been
any problems ^{found} with the System. Thanks

Cheryl

Heather White
01/03/2006 16:20

To: Tom.beezer, GRO, stephen.dilley, GRO
cc: ian.herbert, GRO
Subject: Horizon URGENT Private and Confidential

Tom, Stephen, Ian

Mandy tried to send this email to you today but unfortunately the attachments were too large for our system and therefore failed. I have put copies of all the relevant documents in the post to you tonight.

Regards,

Heather White
Secretary to Mandy Talbot

----- Forwarded by Heather White/e/POSTOFFICE on 01/03/2006 16:13 -----

Mandy Talbot
01/03/2006 14:41

To: Tony R Utting/e/POSTOFFICE, GRO, John
Legg/e/POSTOFFICE, GRO, Lesley
Joyce/e/POSTOFFICE, GRO, Alvin
West/e/POSTOFFICE, GRO, Dave
Hulbert/e/POSTOFFICE, GRO, Marie
Cockett/e/POSTOFFICE, GRO, John D
Cole/e/POSTOFFICE, GRO, Graham C
Ward/e/POSTOFFICE, GRO, David X
Smith/e/POSTOFFICE, GRO, Keith K
Baines/e/POSTOFFICE, GRO, Mike C
Gallagher/e/POSTOFFICE, GRO
cc: Clare Wardle/e/POSTOFFICE, GRO
Tom.beezer, GRO, stephen.dilley, GRO
ian.herbert, GRO
Subject: Horizon URGENT Private and Confidential

I write further to the meeting in December 2005 which most of us attended to bring you up to date with the current state of play.

I should be obliged if you could let me know in return what progress has been made with making a business case for the appointment of an individual to analyse data from Fujitsu for the benefit of POL and in particular to assist on civil claims?

If the case has been accepted have any steps been taken towards making an appointment? If not when is this likely to occur?

Castleton- formerly of Marine Drive Branch office

For the benefit of you who are new to this matter, Castleton was a sub postmaster whose contract was terminated and who was sued by POL for approximately 25K. His response was to assert that it was a fantasy debt created by the HORIZON system and as such he should not be asked to repay the sums. Due to an error judgement was entered against POL on his counterclaim for an unspecified sum of money. I am pleased to report that he has now been persuaded to consent to that judgment being set aside.

Evidence has been obtained from his retail line manager, auditor, area intervention manager and appeals manager which is robust in detailing with why his contract was terminated and the basis for it. The area which does remain to be clarified is his allegation that there was something wrong with HORIZON and on which precise dates it went wrong, as the totality of his evidence so far is that it went wrong between December 04 and 23/03/05. Castleton has obtained an accountants report in support of his claim but its findings are incorrect because it has assumed that the daily trial balances or snap shots actually represent the amount of cash which was in the office at any one time.

Graham has obtained access to the Fujitsu data for marine drive for December to March and also the helpline logs. Graham can you confirm whether these are all the calls logged from Marine Drive or

merely the ones logged onto the HORIZON call desk? If so can you now arrange to obtain all of them.

Dave Hulbert - if you were provided with these would it be possible to drill down into the data to discover what was done to try to assist the postmaster and whether or not this cured the alleged problems? Would a member of your team be able to give a statement dealing with the number of calls, the resolutions and if any approaches to Fujitsu were considered warranted and if not why not?

Graham has also asked Fujitsu for their assistance with less than impressive results. I attach as a PDF document a copy of the exchanges.

Tony Utting has provided me with a useful draft statement which he created which attempts to explain to the Court how the HORIZON system works. I appreciate that this will now need some work to bring it up to date. Please could somebody from the technology side of the business volunteer to up date this document. This document could usefully form the basis a report from Fujitsu or the business with the specific detail about the system and the particular office added onto the end.

I should be obliged for your comments upon what we believe that Fujitsu should be able to provide by way of evidence and what they are obliged to provide under the contract.

I would have thought that as a very minimum they should be able to say that they have run a check on the whole network between 1/12/04 and 31/3/05 and can confirm that either there were no problems affecting the whole system, detail the ones which did occur, comment upon which areas they affected and whether they would be likely to cause the problems complained of by Castleton.

I would have thought that Fujitsu should be able to check the system with particular reference to Marine Drive between the dates above and possibly afterwards to confirm whether or not they have found any evidence of the problems complained of by Castleton. Castleton's lawyers claim that the current postmistress is experiencing identical problems!

Do we think that a site inspection by Fujitsu would have any merit as I recall being told of cases where problems were caused by family members hacking in and abusing the system or where rare geographical conditions caused problems?

Lastly do Fujitsu know enough about POL products and systems to comment on the data produced or would this be a job that can only be handled by someone within the business? If so who other than Tony and Graham now have the knowledge to go through the data to determine whether there is evidence of the system malfunctioning?

Are there any other matters we believe that Fujitsu could comment on that would assist us in demonstrating the robustness of the system in the round and in the circumstances of this case?

The agents dealing with case need instructions from the business on how to proceed now that the judgement has been set aside on the following matters

- should we try to settle the claim
- should we apply for further and better particulars of his evidence
- should we employ agents to investigate Castletons finances
- should we offer mediation again
- expert evidence

on which I have given some preliminary comments.

Please may I have your comments?

Given the existence of the cases of Bajaj and Bilkhu together with the publicity given to HORIZON problem in The Subpostmaster I think that to settle the claim now, even on confidential terms, may cause almost as much harm to the business as fighting and losing the claim. The statement evidence is good but this case will be won or lost on the quality of the internal and external reports on the data produced by and on the robustness of the HORIZON system.

I think that there is very little to loose in making a formal application for further information about precisely what Castleton thinks is wrong with the system and for details of the precise dates on which he claims the problems arose. The difficulty with addressing his vague allegations is the fact that they

cover such a long period of time given the enormous number of transactions which will have occurred during that time and if we can narrow them down it will make any investigation much more cost effective. He will also be asked for precise details of the elements which make up his counterclaim as they are extremely vague at present. The response to this should at the very least advise us as to the potential maximum value of the counterclaim.

In all cases it is advisable to try to ascertain if the person has the capital to meet a claim but in this case it may give us an indication of how much additional resource he can afford to expend on it. He appears to be financing the litigation privately and we have already managed to cast doubt on the assertions made by his accountants report thereby making it more or less worthless. He was not awarded the costs of the application to set judgement aside as the costs have been reserved to be dealt with at a latter date. He will probably also have to amend his defence and counterclaim which will all cost money and which may in total recommend a settlement to him.

I see no downside in offering mediation once more as if accepted it may force Castleton to take a more realistic view of his chances, whilst always looking good in the eyes of the Court and giving us additional time to select and brief an expert witness.

Selection of an expert witness will be crucial in this case. Preliminary enquiries should begin as soon as possible. The selection should demonstrate the importance that POL places on this matter so a well known firm with a national reputation should be selected. The firm and expert must have a firm grasp of technology. As this case may set the trend for future litigation firms should be invited to tender on the basis that expertise picked up in this case will lead to future work coming their way. For that reason it may be that a strong second tier firm may be preferable to one of the top four where such repeat work would not be so financially attractive.

I have seen and approved an agreement prepared by Fujitsu over the status of any information divulged to such an expert.

Can any of you make specific recommendations as to suitable firms or fee earners?

Bajaj - current postmaster at Torquay Road

Mr Bajaj has been complaining about the HORIZON system since Xmas 2004 and has alleged that it has manufactured errors which have resulted in him to date paying 14K to POL which he claims was not justified. He has resigned and withdrawn his resignation, written articles in the Subpostmaster inviting fellow postmasters who have suffered to contact him, complained to the Board, his MP etc. His allegations were not particularised to any degree until a letter before action with an accompanying schedule was received, a copy of which I attach.

Graham I know that you have made Fujitsu aware of this problem and have received some limited comments from them copies of which I attach. Looking at the schedule attached to the letter before action can you confirm whether you have (a) all the fault logs between Torquay Road and the HORIZON helpline and the postmasters helplines between the earliest and latest of the dates referred to (b) can you request copies of the transactional data between the two revised dates as I believe the information which you have is more limited.

Dave Hulbert would your team be able to produce a statement based on the logs similar to one referred to in Castleton above.

Tony/Graham unless the team is able to identify any other suitable person will you be able to analyse the transactional data to explain the so called discrepancies and losses. Many of the items in the schedule may not result in an actual loss at all and are probably part of the settling process which the accountants and solicitors do not appreciate.

Do we think that it would be sensible or useful for Fujitsu to arrange for an engineer to look at the HORIZON equipment just to eliminate local anomalies?

New Case- Bilkhu postmaster at Bowburn Post Office.

I attach the claim form together with supporting schedule for Graham to order the help desk logs and transactional data.

I will put our agents in touch with the relevant members of staff within POL who may have partially investigated this claim already.

Correspondence from Tolhust Fisher indicate that they have been contacted by another disgruntled postmaster but they are not as yet instructed on his behalf.

Keith and Dave Hulbert have brought the case of Hughie Noel Thomas to our attention as being yet another discipline case where HORIZON is being blamed. Also that of Hogsworth Post Office Skegness.

All the above emphasise the importance of identifying and appointing a suitably qualified member of staff who can deal with the investigation of these claims swiftly and robustly so as make other postmasters less inclined to expend money on making claims in the future.

I look forward to hearing from you as soon as possible.

Regards
Mandy Talbot
Litigation Team Leader
Company Secretary's Office
Legal Services

Royal Mail, Impact House, 2 Edridge Road, CROYDON, CR9 1PJ

GRO

External Email:

GRO