

28.2.2011.

David Oliver Belinda Cove Chris Anjard Red

CJB.

Belinda = Programme director

~~David~~
Chris = Project.

Chris = sponsoring director - legal.

Chris = PO general counsel.

Project Sparrow. (Steven Gregson = predecessor).

Scheme to address a need last year. Sub post notes made allegations re Horizon. System used by all sub-POs. Losses suffered not due to their failings but the failings of Horizon.

A response to the allegations - lots of adverse PR - PCL established a redress scheme. Sub PO notes here lost money.

PCL asked sub POs for report.

or PCL prosecuted for theft or false accounting.

Response to contain the issue = redress scheme

Get people to talk about compensation.

Starting to work through the process. Getting application in from sub POs as to their claims. Locked at process & costs authorized at the overall expense.

Claims may be spurious.

Board & PCL asked PO were heavy duty advice a way forward.

Gets a good feel for the business' exposure both financial + legal.

Part of it is strategic legal advice.

Scheme set up will cost a lot.

Maybe just pay people off.

Scrap the scheme + cut losses + run + set up ombudsman scheme? Better suited ~~to~~ to these sort of claims.

maybe adjudicative would be better.

The remedial scheme does not really work.

Scheme administered by a working group and a lobby group
with internal a getting the PR.

Chair of working group = Sir Anthony Hooper ex CAJ.

Started process to try to get to the truth - no will not do
Net High resolution.

Internal investigation - POL and forensic accountants.

Board - partly owned are the options. Will need to be?
Perhaps need a higher reassessment of City.

Board Director involved in payment.

And admitted by - criminal solicitors.

At a legal level City is fairly limited. Are 4 business
collapsed - 3 years' termination of PO contract.

Claims can't be about \$100 million all told.

Maybe advice is wrong. Will need a settlement -
expectations too different.

Horizon - Fujitsu developed it. User interface.

Double entry book keeping system.

How do we pass this on to Fujitsu? There is
only way in Horizon system.

Horizon and its metadata are suitably robust & have
integrity.

How has the money been lost? Some stolen by sub Postnests.

Franchisee for personal services. They are liable for any
loss within their branch. So if loss happens - evidenced
by the data on Horizon. The number in the Horizon
system shows stock, valuable items + cost + cash paid.

So POL looks to the sub Post Nests for any difference
between stock delivered and money taken.

Or a stock take the books don't balance. They don't.

Why do the stock take to confirm the losses. Shut down
each terminal each day. Does not need to balance
perfectly. At the end of each trading period - do a
month - it has to balance.

Bad book keeping

Met.

or press wrong buttons.

Hit the button for £500 and got out £1000.

or Conn's failure half way through transaction and
system does not work properly - for remote areas.

Decision to be because such a grand scheme of support
money MP's.

Second Sight did a review. Coloured report. Not helpful
to POL.

Political storm. Second SORT found no systemic issues on Horizon but it criticised the having a support provided for sub postmasters. So about 47 cases of POs suffer a loss.

POs said it would improve treatment of sub post masters. Still dealing with complaints to get up the volume. 144 applicants.

We have taken notes from the sub POs - on establishing a shortfall. Small sums - POs asked to make the losses good. Small sums - £10s or £10w/100s.

The balance for next period.

or if the shortfall is larger - sub POs saying not pay it straight back - do longer repayment schedules & take staggered payments or deduct for what we pay to the sub PO.

Shortfall & sub PO disputes it - eg deliveries a stock error, or a reverse transaction - progress eg 10 tax discs at what high rate the 1 and the reversal takes some time.

Claims - transaction errors. Aggregate challenge with the branches. The numbers can become larger now.

has not stopped now. An ongoing problem in the retail world.

Lots of small transactions for sub postmasters.

Claims - £21,500 no aggregate loss for ATM & Etaget.

Challenges to specific transactions eg IV file being reversed.

mediation - not contractual.

CEOR.

Branch accounty - if someone raises a issue in the steps POL took in branch accounty shortfall.

if POL took some case following the identification of a shortfall on the books - includes seeing payment of the debt. No time limits - go back any length of time.

No restriction if POL had taken formal of action.

49 cases of criminal prosecutions.

Only if found dishonest & security.

Scheme Nuband.

POL processes here to have been extended first.

Only rejected 4 or 5 of 147 apps. Really big not sub PO notes.

Scheme now closed to new applicants.

mediation Scheme Rules = when the noise started in POL, a challenge was to have the real complaints articulated to POL sub PO community not well articulated or resolved.

Orego at articulating the rules into second draft. needed to find a way to articulate concerns. what are the core issues and how do you resolve it a mediator if appropriate.

At the end of the mediation process you work out where you should mediate. All of do you have a mediator etc.

POL fees = fixed fee of £1500 + VAT as a contribution to cost if it chose to have a professional adviser.

About 10 or 12 lawyers - person.

Some fees & remedial costs.

Does POC have discretion & when to remediate? Yes and no.
At any point up to POC to say not capable of remediation
in a particular case.

Working group = surge joint

second joint still working. By road area of remediation.
If POC do not agree.

3 voting members on the working group - if heavy POC
could decide not to remediate. Working group could be
able to force the POC to remediate.

Terms of Reference not yet signed.

Political answer is very different.

Very firm belief that some people will never be satisfied.
One case taken to a High Ct trial & clear that work
performed properly. C wants F50k and will never be happy.

None or very few where we wouldn't like to see claims.

The Board now wishes it had not done it.

Cost of running the scheme high and increasing.

Now needs based assessment of the claims fees up
by F50k per month.

We could view all these costs and here people who
will never be satisfied.

And concerned to get some legal costs assessment.

want to understand the legal & financial exposure.

second joint - 140 odd cases & 2-3 people.

mediation - why chosen?

could fight this = ok - claim would not start & we would win.

could this translate into a QAO?

would not be funded.

Challenge to be IT system. Cost of mounting a proper forensic challenge would be huge.

mediation sounded good but not in court - arbitrator - could have an Adjudicator. or have an arbitrator.

not much of a core legal dispute.

Don't quite like the way you asked rather than a legal liability question.

Adjudicator's system would not work.

Reports are not confidential.

What have you said publicly about it?

About a correction & power between POs & sub POs.

Getting more of a class.

117 class out of 60,000 Horizon terminals &
11,500 sub POs

Howe + Co, Acer - 2 firms rep all elements.

Take a tough line with sub postmasters - the past.

Organic calls itself new. RM ad to separately.

But PC looks confidence as an organization.

Locked confidence to say that Second Sight concluded there
no problem with Horizon.

Created a scheme which is internally contradictory.

Political advice led by Jones Arbuthnot HP. Not as high as once
it was.

Any advice around paying people who have been convicted?

Sure but felt they could not exclude them.

Being involved with the criminal ones.

Working Group considered pretty criminal cases to one side
with civil cases resolved.

Maybe that he say that you have to go to the CA.

Relooked at how PC approaches prosecutions.

Criminal law advice - Edwright by Prosecute.

Strategic - Brian Atma QC. Encouraged by Lord Dickenson.

Contracts PC - sub to. Bad C.

Taf E Second Sight

Public statements.

Terms of Ref Working Group.

Scheme doct.

Spot Review.

4-5 claim files.

Do you have to continue with 2nd Sight?

website.

Second Sight's Report.

Board Report.

Business expense legal & financial terms.

Class action risk.

What the options are to mitigate risk & reduce expense.

Briefing Pack

Reply this as a proposal. + cost.

Board wants a report - April. 3 weeks.

Report & Powerpoint.

Second sight - 2 reports. - believe losses due to phone problems.

effect vs e for redaction.

↳ maybe get an expert to comment.

pre security authority duty & ongoing disclosure.

Challenge 2nd sight. Get the to support the view.

Text points. Spot Review.

↳ could you have some issues for a 1st case.

Lottery scratch cards.

Having a phone plugged into horizon.

Some responses already saved.

See the 2nd sight 2nd Report.

No challenge to the substance of the points.

2nd Sight are not technical IT specialists. Are engaged for a byline.

Second sight - difference between facts & expert opinion.

Was the written exp letter to 2nd Sight copied to the chairman & the work party.

not passing on to Fujitsu.
only pressure replacement & procedures.
can't pass liability to Fujitsu.

What is your aim?

At what price.

Neochrome does not get at the truth.

Tickbox + entitlement to £20k say.

Parliamentary promise of a safety net.

Worried about overall precedent.

What about those who could have applied
& did not?