

Filed on behalf of the: Claimant/Part 20
Defendant
Witness: C OGLESBY
Statement: 2
Exhibits: CO 2
Date made: 17/10/2006

IN THE HIGH COURT OF JUSTICE

Claim No: HQ05X02706

QUEENS BENCH DIVISION

BETWEEN:-

POST OFFICE LIMITED

Claimant/Part 20 Defendant

-and-

LEE CASTLETON

Defendant/Part 20 Claimant

SECOND WITNESS STATEMENT OF CATHERINE OGLESBY

I, CATHERINE OGLESBY of Darlington Area Office, Crown Street, Darlington, DL1 1AN **WILL SAY AS FOLLOWS:**

1. Since April 2005, I have been a Sales Account Manager for the Post Office Limited (**the Post Office**) with responsibility for ensuring that 24 directly managed post office branches achieve their sales targets. Before that, I was a Retail Line Manager (**RLM**) for approximately 8 years. As an RLM, I was responsible for ensuring that subpostmasters in 85 sub post offices properly carried out their duties to maintain service standards (for example, in relation to waiting times and office appearance) and reach sales targets. I have worked for the Post office for 23 years.
2. I make this witness statement from facts within my own knowledge unless otherwise stated. I have had the benefit of reading through my correspondence and papers. References to page numbers in this witness statement are to page numbers of Exhibit CO2 to this witness statement.

Post Office branch at 14 South Marine Drive, Bridlington YO15 3DB

3. I have been asked to give a brief overview of the layout of GRO GRO (**the Marine Drive branch**) and describe how the business works, for the benefit of the Court. At pages 1 to 3 are office copy entries which show that Mr Lee Castleton and Mrs Lisa Marie Castleton have been the registered

proprietors of the freehold since 17 October 2003 and that they bought the freehold on 18 July 2003. At page 4 is a rough plan I have drawn from memory of the interior of the Marine Drive branch. The ground floor of the freehold contains a rectangular shaped shop and from the entranceway, the Post Office counter is in the far left hand corner of the shop. The shop counter and National Lottery till are on the right as you enter the shop. There is living accommodation above the shop for Mr Castleton and his wife.

4. From 18 July 2003 to 23 March 2004 Mr Castleton was subpostmaster of the Marine Drive branch. His contract for services was in the standard format used for subpostmasters at the time and a copy of that contract together with the signed page is at pages 5-129 (**the Contact**).
5. Section 1, paragraph 3 of the Contract provides that the subpostmaster must provide and maintain at his own expense, reasonable office accommodation required by the Post Officer and pay, also at his own expense, any assistants he may need to carry on Post Office business. At the material time, Mr Castleton retained Christine Train as his assistant to work behind the Post Office counter and I believe that she had worked at the Marine Drive branch for many years. I cannot now recall whether at the material time, anyone else worked behind the Post Office counter. Mrs Castleton's wife, Lisa, worked in the shop.
6. There are 2 Post Office counter positions at the Marine Drive branch, each with its own computer terminal, barcode scanner and printer. Before the opening of business each day, the subpostmaster and any assistant logs on to their computer. They must record all transactions they perform on their computers. They can record transactions either by using their touch sensitive screen or keyboard. The computer system in the branches is called Horizon. Horizon is in effect, a sophisticated computerised calculator.
7. So far as I recall, every transaction recorded by the subpostmaster and his assistant on to their computer has one or sometimes more corresponding physical documents, apart from stock transactions. For example, when a customer pays their TV license, the subpostmaster will retain the TV licence counter foil. If that customer paid for their licence by cheque, the subpostmaster will also have the cheque.
8. As far as I remember, at the end of each day, the subpostmaster prints from their computer various reports. The procedure is slightly different for different

products, but broadly speaking, they then compare these reports against the physical documents they have (such as cheques or licence counterfoils) to ensure they match. If they do not match, I think that they may be able to reverse certain transactions whose details they had entered on the system erroneously. They then send the reports and accompanying documents off to be processed. When these are processed, if the covering report printed out from the branch's computer does not match the accompanying physical documents, an error notice is generated. An error notice is a correction statement. Its creation would help explain whether there was any legitimate reason for an error having been made (for example, because subpostmaster or his assistant made an incorrect entry into the computer when recording a transaction).

9. At the material time, the subpostmaster also had to balance the physical cash and stock against the cash and stock shown on the computers on a weekly basis and produce a Cash Account. The Cash Account contained information such as cash and stock in hand at the end of that week, receipts, payments, the balance due to the Post Office and whether there were any discrepancies such as a surplus or shortfall. The subpostmaster had to sign the Cash Account and of course should not have done so unless it was accurate.

December 2003

10. Between approximately Christmas 2003 and the New Year, I was contacted by telephone by Mr Castleton who told me that on week 39 (the week ending 23 December 2003), he had been £1,100 short in his Cash Account. We discussed what might be a usual explanation for this, for example the Giro Bank error or cheque deposits going through as cash. I suggested that he contact Giro Bank and National Savings to see if there were any problems. I also asked him to make good the sum of £1,100, because a Giro Bank error notice may take up to 8 weeks to arrive. Mr Castleton said that he could make the amount good and we left things at that.
11. This had been the first time since Mr Castleton took over the Post Office in July 2003 that he had any major problems in balancing the physical cash and stock against the cash and stock shown on the computers. Copies of the Cash Accounts signed by Mr Castleton for the weeks ending 23 December 2003 (Cash Account week 39), 30 December 2003 (Cash Account week 40), 7 January 2004 (Cash

Account week 41) and 14 January 2004 (Cash Account week 42) are at pages 197-235.

TBA, P2558 - 2603

Shortfalls in January 2004

12. In accordance with my normal visiting plan, I visited the Marine Drive branch on Friday 16 January 2004. At the time, no reason had come to light to explain the loss of £1,100. The previous 3 weeks' balances seemed to be fine.

13. Referring back to the summary of events that I prepared at the time (pages 130-134), I am reminded that on or around 21 January 2004 (Cash Account week 43) Mr Castleton contacted me because his balance of the physical cash and stock against the cash and stock shown on their computers was over £4,000 short. A copy of the Cash Account he signed for week 43 is at pages 236 to 245a. I again asked him to contact Giro Bank and National Savings to see whether there were any problems. I also asked him whether the cash was kept secure and who had access to it. Mr Castleton did not believe that any of his staff could have taken the money. He stated that on this occasion, he was unable to make good the shortfall. I advised him to contact the helpline to get a hardship form. (A subpostmaster is contractually obliged to make good any shortfalls without delay. However if a subpostmaster cannot immediately make good the shortfalls, he may complete and submit a hardship form setting out details of his earnings and other relevant information to seek the Post Office's permission to make good the shortfalls by instalment payments rather than immediately).

TB8, P2350 - 2394

TB9, P2613 - 2618

14. We also discussed at length ways for him to double check all of the paperwork leaving the Marine Drive branch (for example, the giro paying in slips, pension and allowance dockets and certain types of cheques) and to perform a balance snapshot each evening to check the cash. (Effectively, a balance snapshot is just a facility to allow the subpostmaster to quickly check transactions through the week. It is a report that contains what the computer records *should be* the total cash in stock figure, not what cash the branch *actually does* have. It looks at the previous week's declared cash in stock and adjusts items as they are sold thereby showing the amount the branch would need to achieve a perfect balance. However, if for example someone forgets to enter an item that a customer has purchased, then the balance snapshot figure will be inaccurate, by showing less cash than is actually in the till. If on the other hand, the customer is given too much change or is overpaid (for example, a pension), the balance snapshot will show more money than is actually present in the till). If the figures in the

paperwork leaving the branch did not come close to the balance snapshot, this ought to alert the subpostmaster that something was wrong.

15. I contacted Mr Castleton by telephone on or around 28 January 2004 (Cash Account week 44). After he said he was a further £2,500 short, again, we had a lengthy discussion to discuss all the daily workings. A copy of the Cash Account for that week signed by Mr Castleton is at pages 246-255. I brought up in the conversation the possibility that somebody might be taking the cash, but Mr Castleton discounted that possibility. I suggested that he carry out individual stock unit balancing. Small post offices such as the Marine Drive branch which has 2 cashier positions run a shared stock system: All the cash and stock is contained on 1 balance sheet. However, with individual stock balancing, each computer has its own separate stock and cash balance. Mr Castleton did not wish to do this, as he felt that Marine Drive branch did not lend itself to doing this sort of balancing. I was surprised that Mr Castleton did not take up my suggestion because although there is some work involved setting up individual stock balancing, it would have enabled us to identify whether the losses were caused by any individual cashier.

Shortfalls in February 2004

16. The next week ended 5 February 2005, (Cash Account week 45) the Marine Drive branch was £25 over. (A copy of the Cash Account signed by Mr Castleton is pages 256-267). However, the week after ending 11 February 2004 (Cash Account week 46) the Marine Drive branch was £1,500 short (A copy of the Cash Account signed by Mr Castleton is at pages 268-279). By now, after just 4 weeks, the Marine Drive branch was a total of £8,243.10 short, not counting the sum of £1,100 that Mr Castleton had made good to start with. I visited the Marine Drive branch around this time at which time I would have looked at the latest Cash Accounts. I asked Mr Castleton whether he had obtained a Hardship Form. He said that he hadn't and I told him to get one. I understand that he did, and he made a book entry which transferred the sum of £8,243.10 into the Suspense Account. Subpostmasters are contractually obliged to make good all losses without delay and Mr Castleton should not have been rolling them over each week. The purpose of having a Suspense Account was simply so that a shortfall that a subpostmaster does not immediately make good could be temporarily moved to the Suspense Account rather than being left in the Cash Account. By this time, I was very concerned and contacted the investigations team. The investigations team investigate cases of fraud where dishonesty has been involved. Given that Mr Castleton had kept me informed of the losses, this was not a case which they

would investigate. I also completed an audit request so that the audit team would carry out an audit.

17. In Cash Account week 48 (the week ending 25 February 2004) the short fall for that week alone was £3,509.18. (A copy of the Cash Account signed by Mr Castleton is at pages 292-304). Mr Castleton informed me that he and his assistant Mrs Christine Train spent many hours double checking the transaction logs to try to prove that it was the computer equipment that was changing the figures. I asked him if he had found anything, but he had not. However, he was convinced that since he had a processor changed about the time the losses started occurring that it was the processor that was causing the losses. I asked Mr Castleton to contact Fujitsu services (who were responsible for designing, implementing and operating the Horizon system) to obtain a system check. He did this and the system check came back fine. I asked Mr Castleton to contact the Horizon system helpline (**HSH**) which he did and I understand that he sent Cash Accounts to the National Business Support Centre (**NBSC**) to review. I also asked Mr Castleton to contact the Post Office's Transaction Processing section to see whether there were any error notices pending. So far as I was aware, there was nothing untoward with the computer system.
18. On 27 February 2004, I again visited the Marine Drive branch. Again we discussed the losses shown in the various Cash Account figures. Mr Castleton became distressed and angry and Mrs Train was also upset. I asked them what else I could do to help, given that we had previously discussed all the usual ways that a subpostmaster could incur shortfalls. Mr Castleton and Mrs Train repeated that they had not taken the money and that it must be the Horizon system. Mr Castleton stated that HSH had confirmed that the Horizon system was working correctly, but he was not sure precisely what HSH had checked.
19. Mr Castleton thought that the 2 computer processors were not communicating with each other. I advised that if the 2 computer processors were not communicating, then work done on the second machine would not show up on the summary sheets. However, all the Pensions and Allowances reports and the Giro Bank receipts agreed with the information from the computer, which to me suggested that there was no computer error.
20. Mr Castleton also thought that when he "remmed in" the stock, the Horizon system altered the figures. (When stock or cash ("a remittance") is delivered to a branch, the subpostmaster is obliged to physically check that the stock and cash matches

the accompanying list of stock which the Post Office say is being delivered. The subpostmaster enters the details of the remittance into the branch's computer, which is called "remming in"). To prove whether or not the Horizon system had changed anything, I suggested that at the end of the day after close of business he:

- a. firstly print out an end of day snapshot;
- b. remmed in; and then
- c. print out a second snapshot.

Shortfalls in March 2004

21. At some point in or around March 2004 I looked at the Cash Accounts for that month and noted that:

- (a) In the week ending 3 March 2004 (Cash Account week 49), Mr Castleton transferred the previous weeks balance to the Suspense Account. The Suspense Account then totalled £11,752.78. In addition, the Marine Drive branch signed Cash Account showed a further shortage of £3,512.26 (pages 305-316). Mr Castleton did not make good this amount. *789 p 2714 - 2719*
- (b) In the week ending 10 March 2004 (Cash Account week 50) the previous week's shortage of £3,512.26 was rolled over and the shortage in the signed Cash Account increased to £10,653.11 (pages 317-328). *789 p 2731 - 2736*
- (c) In the week ending 17 March 2004 (Cash Account week 51), the Marine Drive branch showed a shortage in the Cash Account of £11,210.56 plus the shortage in the Suspense Account of £11,752.78 (pages 329-344). *789 p 2749 - 2754*

Audit on 23 March 2004

22. On 23 March 2004, Helen Rose (nee Hollingworth) of the Post Office carried out an audit of the Marine Drive branch together with Chris Taylor. This was the first date that the audit could take place due to the other work commitments of the audit

team. The audit concluded that there was a total unauthorised shortfall at that stage of £25,758.75 (page 135). 763 p 375

23. I arrived at the Marine Drive branch in the afternoon of 23 March 2004 and took Mr Castleton into the back room to speak to him. I told him that as a precautionary measure, and with his permission, I would like to remove him and his staff from the Marine Drive branch and to operate the branch with a temporary subpostmaster to see how it would balance. I wanted the temporary subpostmaster to retain the same Horizon system that Mr Castleton and his team had been working with to try and keep everything the same. Mr Castleton and his assistant Mrs Train were both angry. Mr Castleton said that he could not wait until the temporary subpostmaster was "thousands short next week" and that "heads will roll" for the distress that he had suffered.
24. On the same day, Lesley Joyce (the Post Office's contract manager) wrote to Mr Castleton to confirm that he was suspended as a precautionary measure pending further investigations (page 137). 763 p 377

Events following Mr Castleton's suspension

25. I asked a very experienced post master, Mrs Ruth Simpson, from the First Lane Post Office in Hull if she would run the Marine Drive branch on a temporary basis. Mrs Simpson agreed, but was only able to run the Marine Drive branch for a few weeks as she had other commitments. She opened the Marine Drive branch on the morning of Wednesday 24 March 2004 and balanced £2.14 short on that night. (A copy of the Cash Account dated 24 March 2004 at pages 345 to 350). She brought with her a part time assistant to help out on Mondays. On the close of business on the first Monday (the week ending 31 March 2004), she was £100 short and explained that she thought that this was because her assistant had left something in the stack and erroneously paid this amount twice. (The stack is an on screen list of transactions for the individual customer that is being served at the time. Each time a new customer is served, the stack should be cleared so that it starts from zero). A copy of the Cash Account for that week is at pages 351-356. 764 p 377-379
26. I telephoned Mr Castleton to see what his reaction would be. He stated that Mrs Simpson was only using 1 computer rather than 2 as he had done, so it was not a true reflection of how he ran the Marine Drive branch. He also stated that Mrs Simpson had misbalanced (i.e there was a shortfall of £100). I said that I would speak with Mrs Simpson regarding his concerns. I contacted her and asked her to

use both machines. She stated that on a Monday she had 2 people working all day, so 2 machines were used. The rest of the week she was on her own, but logged on to the system with 2 usernames and had 2 machines running, she was serving customers from both machines, remming in on both and putting the lottery cash on both.

27. On the week ending 7 April 2004 (Cash Account week 02), Mrs Simpson was £19.38 over (pages 357-362). We discussed how she was getting on every other day and she would text me to confirm that she was okay. On her next balance for the week ending 14 April 2004 (Cash Account week 03) she was £10.76 short (pages 363-368).
109, P2736-2741
28. On 16 April 2004, I visited the Marine Drive branch and spoke to Mr Castleton away from the counter, since the retail shop and the Post Office counter were still open. He was distressed. We discussed Mrs Simpson's balancing results. Mrs Train wanted to know where the £100 shortage had gone in Mrs Simpson's first full week and I explained what she had thought. Mrs Train became aggressive and threatening. I said that I felt the balance reflected any normal Sub-Post Office. Mr Castleton again stated that it was the computer that was making the losses. I told Mr Castleton that Mrs Simpson would be finishing on Wednesday 21 April 2004 due to other commitments and said that I wanted more time and more balance results and wanted another temporary subpostmaster to take over. Mr Castleton said that he did not wish to go back on the counter as things stood anyway.
29. On the week ending Wednesday 21 April 2004, (Cash Account week 04) there was a surplus for the week of £0.02 (pages 369-374). Mr Greg Booth took over as temporary Sub-Postmaster on the same day. He completed his first week on Wednesday 28 April 2004 and declared a gain of £14.76 (pages 375-380).
109, P2718-2803
30. On 23 April, Mr Franks (Mr Castleton's father-in-law) contacted me by telephone to discuss the way in which Mr and Mrs Castleton had been treated. I explained the situation and told him that the suspension was a precaution and that I was hoping that by having a temporary Sub-Postmaster in the office, that if there were any problems with the computer equipment, this would come to light. Mr Franks demanded that Mr Castleton be reinstated immediately. I referred him to the Post Office Head of Area, David Mellows-Facer and told him that I could not agree to reinstate Mr Castleton at the time. I understand that Mr Franks spoke with David Mellows-Facer and asked for a speedy conclusion to the situation. David Mellows-

Facer spoke to me and asked me whether Mr Castleton could be interviewed as soon as possible.

31. On 26 April 2004, I wrote to Mr Castleton and stated I was considering the summary termination of the Contract on the grounds that the audit of the Marine Drive branch on 23 March 2005 showed that there was a total shortage of £25,758.75 (pages 138-139). I said that Mr Castleton had reported large, unexplained losses over the preceding 12 weeks. I stated that he was unable to make good the losses and therefore the decision was made to suspend him due to the obvious risk to Post Office funds. I explained that there are a number of obligations set out within the Contract, one of which is that the appointment is dependant upon the branch being well managed and the work performed to the satisfaction of the Post Office (section 1, paragraph 5). I also referred him to section 12, paragraph 12 of the Contract (page 60). This provides that:

“the Subpostmaster is responsible for all losses caused by his own negligence, carelessness or error and also for losses of all kinds caused by his Assistants. Deficiencies due to such losses must be made good without delay.”

I also explained that Section 1, paragraph 10 of the Contract (page 21) provides that it can be determined at any time in case of a breach of condition by the subpostmaster or non-performance of his obligation, or non-provision of Post Office services. I asked him to explain the reasons why his contract should not be terminated summarily and that he could do this by requesting a personal interview or submitting a response to the charge(s).

32. On 28 April 2004, Mr Castleton replied and queried whether the losses existed or whether they were “a figment of a computer’s imagination”. He asked me to send to him various documents and information (pages 140-143).
33. I contacted the Transactions Processing Department again on 29 April 2004 to see whether there were any outstanding error notices. There was an error for the National Lottery that had yet to be investigated for £125. There had also been an error for cheques that later cleared and did not generate an error notice. There was also an error for an Easy Access Account that had been processed incorrectly. I contacted Giro bank to see whether there were any errors outstanding with them. I asked them to look back to week 43. They looked back as far as week 43 and came forward to week 02. There was a small Giro bank error of £1.43, but

that would not be reported because it was such a small error. Everything else was fine.

34. Mr Castleton telephoned me on 4 May 2004 and stated that he had found £15,000 of the losses. I assumed he had done this by going back over the hard copies of the accounts that he had. I asked him where he had found the cash. He stated that the Suspense Account had doubled the figures. When he had put the cash into the Suspense Account, although the amount was showing in the Suspense Account, it was also still showing as a loss in the Cash Account again the next week. Mr Castleton asked for the Suspense Account software to be checked. I again contacted the NBSC to request this.
35. To test whether the Suspense Account was having any effect on the balance, I contacted the temporary Sub-Postmaster, Greg Booth on or around 5 May 2004. I asked him how he was balancing that week on his snapshots. He told me that he had a few pounds over. I told Mr Booth what Mr Castleton had said about the Suspense Account. I asked Mr Booth to put £100 into the shortages line on the Suspense Account. First he ran an office snapshot (pages 387-388), then he placed the £100 into the account, then he ran a second snapshot (pages 389-390) and a Suspense Account report (pages 391-392). During this time, the same Horizon kit was still being used by the assistant. The £100 was in the correct place and the cash figure on the snapshot had changed by £100. This demonstrated that the system worked correctly. I asked Mr Booth to balance with those amounts still in the account. He should balance £100 over. I would then call into the Marine Drive branch on 7 May 2004 and we would take the amount out, to see if the opposite occurred. Mr Booth left me a message on my telephone later that evening to state that he had balanced over, just as we had expected.
36. For the week ending 5 May 2004 (Cash Account week 06), the Marine Drive branch declared a small gain of £103.11 (pages 381-386). *100, p28-4 - 28-9*
37. On 6 May 2004, a letter was written on my behalf to Mr Castleton and sent to him a copy of an email from Fujitsu and logs of calls to the NBSC and HSH (pages 144-154). I also sent to him a copy of the Horizon System User Guide, System Failure Sub-Sections 12 and 13 and a copy of the Audit Report (pages 155-171). The email from Andrew Price at the NBSC dated 20 April 2004 to me stated: *784 p384-5
785 p380
8414*

"The PM sent Cash Account information to NBSC and it was looked at by Andrew Wise, he was unable to find any errors. The only amount questioned

was a large amount on the cheques to processing centre which Andrew was able to confirm was a cheque for the purchase of Premium Bonds. The PM was advised there was nothing more we could do and we suggested that he works on a manual system at the side of Horizon to see if any problems were highlighted. Also, when doing the REMS the PM should take a snapshot before and after to see if any problems were occurring when doing a remittance. Andrew Wise and I both feel that the Horizon system is working properly and we are unable to help the PM any further."

38. The email from Julie Welsh, Service Delivery Manager HSH Fujitsu Services stated:

"There is no evidence whatsoever of any system problem... please tell the PM that we have investigated and the discrepancies are caused by the difference between the transactions they have recorded on the system and the cash they have declared, and are not being caused by the software or hardware." (page 176). *123, p390*

39. On 6 May 2004, I also contacted the Transaction Processing Department at Chesterfield again to check whether there were any outstanding errors. Only the easy access error was still showing. I also contacted Mr Castleton by telephone and informed him that I had received his letter and was doing all I could to get him the information he had requested. I said that I would probably not be able to obtain everything that he had asked for.

40. On 7 May 2004, I visited Greg Booth at the Marine drive branch, as arranged. First he ran an office snapshot (pages 393-394), then he removed the £100 from the Suspense Account and ran a second snapshot (pages 395-396) and a Suspense Account report (397-398). Again, the cash figure in the snapshot and the Suspense Account had changed by £100 which demonstrated that the system worked correctly.

Interview with Mr Castleton on 10 May 2004

41. On 10 May 2004, I interviewed Mr Castleton. Ms Lesley Joyce (Contract Manager) and Mrs Train were also present. A copy of the Minutes of the interview meeting are at pages 177-179. At the interview, I explained that it was his opportunity to give any explanation as to why his contract for services should not be terminated. I summarised the events which lead to his suspension on 23 March 2004 due to an unexplained shortage at that time of £25,758.75. During the 12 weeks prior to

this audit, the Marine Drive branch had several large unexplained losses. The figure for cash on the system was not the same as the physical amount of cash at the Marine Drive branch. Mr Castleton stated that the Horizon system was to blame.

42. I informed Mr Castleton that since he had been suspended, the same Horizon system had remained in place and that there had not been any further complaints about it from the Marine Drive branch and that the Cash Account showed no large losses. The Horizon system did crash whilst Mrs Simpson was running the branch, but when she rebooted it, this did not effect the balance. When Mrs Simpson had finished, Mr Booth was appointed as a temporary subpostmaster, and again, he had no problems.
43. Mr Castleton stated that he had not taken any money and that he trusted his staff not to have taken anything. Mr Castleton said that he had asked for 10 pieces of information and I explained that I had only received his letter 2 working days prior to the interview and that I was working on obtaining this.
44. I checked that Mr Castleton understood how the Cash Account worked with regards to balances and losses and gains and he confirmed he understood it. I then went into detail with balances, error notices, losses etc and the evidence I had with the snapshots and declared cash. I provided all of this information to Mr Castleton, together with a list of the results of the balance.
45. At the end of each day the subpostmaster is supposed to count their cash, type the details into their computer stating the quantity of each denomination they have and then print a cash declaration to declare the quantity of cash in the tills overnight. (This is called the overnight cash declaration or **ONCH**). I referred Mr Castleton to some of the cash declarations which had been manually altered or written on. Specifically I referred him to week 47 (the week ending 18 February 2004) and also the declaration on 13 February 2004 which had a figure of approximately £7,000 written onto the bottom of the cash declaration. Mr Castleton thought it was Mrs Train's writing, but she was not sure. I said this was very important because although the Cash Account for week 46 (the week ending 11 February 2004) showed a loss of £8,243.10, the snapshots and declared cash immediately following week 46 did not match. For example:
 - (a) The balance snapshot timed at 5.27p.m on 13 February 2004 (page 187) showed that the Marine Drive branch should have needed £92,095.36 cash in

its till to achieve a perfect balance. However, the cash declaration timed at 5.30pm that day shows that the branch had cash of £99,128.40 (page 191), being £7,033.44 more than Horizon thought it had. TB9, p2695

(b) The balance snapshot timed at 11.59am 14 February 2004 showed that the Marine Drive branch should have needed £95,896.59 in its till to achieve a perfect balance (page 189), but the cash declaration timed at 12.00pm that day showed that it actually had £102,706.10 (page 191), being £6,809.51 more than Horizon thought it had. TB10, p2957 TB9, p2695

(c) The balance snapshot timed at 5.37pm of Monday 16 February 2004 showed that the Marine Drive branch should have needed £77,958.28 in its till to achieve a perfect balance (page 192), but the cash declaration timed at 5.36pm that day showed that it had £84,909.54 (page 196), being £6,951.26 more than Horizon thought it had. TB10, p2961 TB9, p2696

(d) The balance snapshot timed at 5.29pm dated Tuesday 17 February 2004 showed that the Marine Drive branch needed £68,163.08 to achieve a perfect balance (page 194), but the cash declaration also timed at 5.29pm that day showed that it actually had £74,939.85 (page 196), being £6,776.77 more than Horizon thought it had. TB10, p2963 TB9, p2696

In other words, according to the cash declarations, the Marine Drive branch had more cash than it required to balance.

46. Crucially, the Cash Account on Wednesday 18 February 2004 showed that the cash is an exact match for the cash required on the balance. I asked Mr Castleton where the surplus had gone. He had no explanation and stated that it was something to do with Horizon. I gave Mr Castleton other examples where there were shortages in subsequent weeks and that they did not match the snapshot in the cash declaration.
47. I explained to Mr Castleton that the Horizon system is a double entry accounting system and that everything I had checked worked through. The evidence does not support Mr Castleton's theory that the Horizon system went wrong when he entered the stock remittances on to the system.

Post interview

48. After the interview, I sent copies of the cash and Suspense Accounts to Elizabeth Morgan and Davlyn Cumberland in Leeds who were two people very experienced in dealing with the Suspense Accounts. Neither of them could see anything wrong with the way that the computers were working.
49. On 14 May 2004, I wrote to Mr Castleton to clarify the entries at the top of the final balance that he had queried and to explain why the 2 final balances he had mentioned did not look similar (page 180). I also sent him a copy of the interview notes.

Mr Castleton's dismissal

50. Mr Castleton did not provide any evidence of a computer problem. All the entries in his Cash Accounts were double checked. The figure declared for cash on the system did not match the physical amount of cash he had in his office. This showed that there was an actual loss, rather than a computer problem. The audit had revealed that the Marine Drive branch was short of £25,758.75 cash, which, coupled with a lottery charge error that occurred on 23 March 2006 for £176 that has not been repaid and a lottery claim error (a credit) that occurred in the cash account week ended 24 March 2004 for £75.80, made a total deficiency of £25,858.95.
51. Mr Castleton denied taking the cash, but he would not take my advice to try individual balancing, or listen to my suggestion that a member of his staff might be taking the money.
52. The Transaction Processing Department at Chesterfield and Girobank have stated that they had no outstanding error notices to issue. Fujitsu Services had checked the software and could not find any problems.
53. Since Mr Castleton had been suspended, the temporary subpostmasters had worked with exactly the same Horizon kit and the balance had continued to be fine each day within expected parameters. Mr Castleton had not given any credible explanation for the unauthorised shortfalls. In the circumstances, I decided to terminate summarily Mr Castleton's Contract. I wrote to Mr Castleton on 17 May 2004 to confirm that I had decided to terminate summarily the

Contract effective from 23 March 2004, the date of his suspension (pages 181-182).

Events following Mr Castleton's dismissal

54. On 23 May 2004, Mr Castleton wrote to me to confirm that he wished to appeal against my decision (page 183). He also stated that he was seeking further information relating to the computer fault. On 1 June 2004 he wrote directly to David Mellows-Facer for this information (page 184). On 2 June 2004, David Mellows-Facer replied to Mr Castleton (page 185-186). Mr Castleton's appeal was dealt with by Mr John Jones, Area Development Manager, which upheld my decision.
55. In the circumstances, I believed (and still believe) that my decision to dismiss Mr Castleton was entirely justified.

I believe that the facts stated in this Witness Statement are true.

Signed GRO
CATHERINE OGLESBY

Dated 19.10.2006

Filed on behalf of the: Claimant/Part 20
Defendant
Witness: C OGLESBY
Statement: 2
Exhibits: CO 2
Date made: 17/10/2006

Claim No. HQ05X02706

**IN THE HIGH COURT OF JUSTICE
QUEENS BENCH DIVISION**

BETWEEN:

POST OFFICE LIMITED

**Claimant/Part 20
Defendant**

- and -

LEE CASTLETON

**Defendant/Part 20
Claimant**

**SECOND WITNESS STATEMENT OF
CATHERINE OGLESBY**

BOND PEARCE LLP

Ballard House
West Hoe Road
Plymouth PL1 3AE

GRO

DX GRO

Ref: SJD3.348035.134

**Solicitors for the Claimant/Part 20
Defendant**

Filed on behalf of the: Claimant/Part 20
Defendant
Witness: C OGLESBY
Statement: 2
Exhibits: CO 2
Date made: 17/10/2006

IN THE HIGH COURT OF JUSTICE

Claim No: HQ05X02706

QUEENS BENCH DIVISION

BETWEEN:-

POST OFFICE LIMITED

Claimant/Part 20 Defendant

-and-

LEE CASTLETON

Defendant/Part 20 Claimant

SECOND WITNESS STATEMENT OF CATHERINE OGLESBY

This is the Exhibit CO2 referred to in the Second witness statement of Catherine
Oglesby dated 19 October 2006.

OFFICIAL COPY OF REGISTER ENTRIES

This official copy shows the entries subsisting on the register on 23 March 2006 at 10:31:23.
The date must be quoted as the 'search from date' in any official search application based on this copy.

Under s.67 of the Land Registration Act 2002, this copy is admissible in evidence to the same extent as the original.

Issued on 23 March 2006.

This title is dealt with by Land Registry York Office.

Land Registry

Title Number : GRO

Edition Date : 17 October 2003

A: Property Register

This register describes the land and estate comprised in the title.

EAST RIDING OF YORKSHIRE

1. (13.03.1985) The Freehold land shown edged with red on the plan of the above Title filed at the Registry and being Marine Post Office, GRO
GRO.
2. The land has the benefit of the following rights granted by a Conveyance of the land in this title dated 22 February 1985 made between (1) Lawrence Prince and Ada Kathleen Prince and (2) James Frank Evamy and Barbara Janet Evamy:-

"TOGETHER with all rights of road or way drainage and other appurtenances thereto belonging as now used enjoyed therewith.

B: Proprietorship Register

This register specifies the class of title and identifies the owner. It contains any entries that affect the right of disposal.

Title Absolute

1. (17.10.2003) PROPRIETOR: LEE CASTLETON and LISA-MARIE CASTLETON of Marine Post Office, GRO
GRO
2. (17.10.2003) The price stated to have been paid on 18 July 2003 was £218,000.
3. (17.10.2003) The Transfer to the proprietor contains a covenant to observe and perform the covenants referred to in the Charges Register and of indemnity in respect thereof.

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Title Number : **GRO**

B: Proprietorship Register continued

- 4. (17.10.2003) **RESTRICTION:** No disposition of the registered estate by the proprietor of the registered estate is to be registered without a written consent signed by the proprietor for the time being of the Charge dated 18 July 2003 in favour of The Royal Bank Of Scotland PLC referred to in the Charges Register.

C: Charges Register

This register contains any charges and other matters that affect the land.

- 1. The land in this title together with other land is subject to the payment of three perpetual yearly rentcharges of 5s payable to Joliffe Esq., £7.6s.8d. to the Church Wardens of the Parish of Kirby Misperton and £3.14s.8d. to Thomas Grimston Esquire mentioned in a Deed dated 19 December 1871 made between (1) George Townshend Hudson and Sir James Hudson (2) Godfrey Rhodes in which it is stated that the land in this title is indemnified from the said rentcharges by a Deed dated 27 October 1963 made between (1) Harrington Hudson (2) George Townshend Hudson and Sir James Hudson No other particulars of the rentcharges or of the said indemnification were supplied on first registration.
- 2. A Conveyance of the land in this title and other land dated 15 March 1989 made between (1) Benjamin Stocks and James Staniland Stocks (2) Whitaker Brothers Limited (3) The Reverend Joseph Bawden Allen and (4) Frederick Walker and others contains stipulations details of which are set out in the schedule of restrictive covenants hereto.
NOTE:- No copy of the covenant to observe the said stipulations was supplied on first registration.
- 3. (17.10.2003) **REGISTERED CHARGE** dated 18 July 2003.
- 4. (17.10.2003) **PROPRIETOR:** THE ROYAL BANK OF SCOTLAND PLC (Co.Regn.No.) of 19 Huntriss Row, Scarborough, North Yorkshire, YO11 2ED

Schedule of Restrictive Covenants

- 1. The following are details of the covenants contained in the Conveyance dated 15 March 1989 referred to in the Charges Register:-

And that no building other than a fence or wall shall be erected on the said plot of land between the building line shewn on the said plan and the roads to which the said plot of land has a frontage And will not dig or remove or permit to be dug or removed on or from the said plot of land any turf stone or soil except what may be necessary in excavating the foundations of any buildings which may be erected thereon or in levelling the site for a garden and will not quarry any stone thereon except for use in building upon the said plot of land and will not sell off any such stone so quarried And that the said plot of land shall not be used for any purpose other than garden ground meadow land plant nursery or orchard or for the purpose of erecting a temporary Mission Chapel or Schoolroom as hereinafter mentioned until built upon nor shall any Deed or thing be done on the said plot of land or in or upon any building thereon which may be or grow to be an annoyance nuisance damage or disturbance to the

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Title Number : **GRO**

Schedule of Restrictive Covenants continued

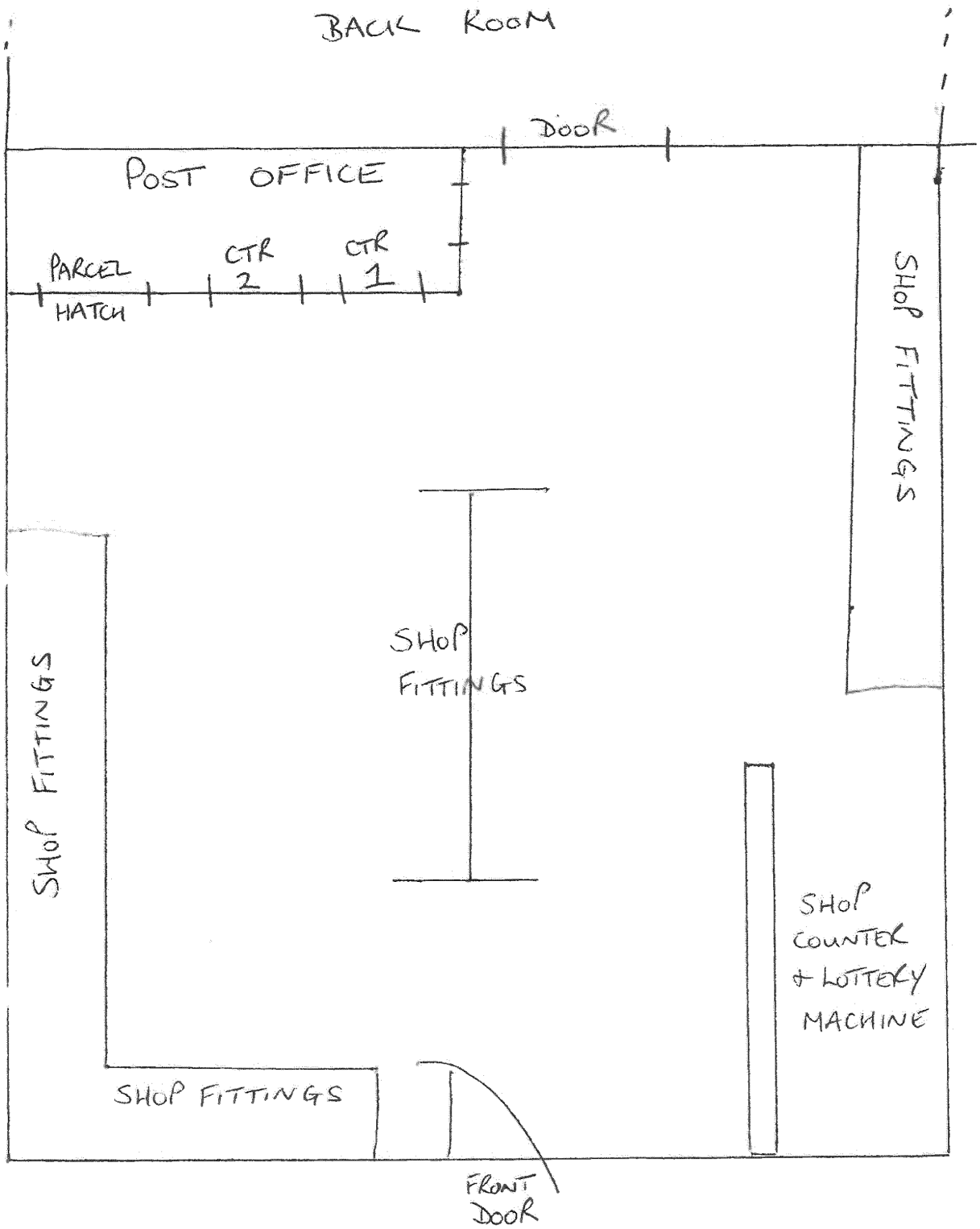
Vendors their successors or assigns or the owner or tenant of any adjoining land but nevertheless the said buildings and erections or any of them or any part of the said plot of land may be at all times hereafter used for the purposes of a Church Chapel or place of religious worship and also for Schools and Class rooms but such Schools and Class Rooms shall only be carried on in connection with the said Church or Chapel or Mission Chapel and shall not at any time be used as public Elementary Schools under the Elementary Education Act And will permit the Vendors their Successors or assigns so long only as the said plot shall remain unfenced to take sell departure or otherwise deal with any grass or similar crops from time to time growing upon the said plot of land and to permit golf to be played thereon. And will not erect or allow to be erected upon the said plot of land at any time hereafter any Beer Shop Public house or Hotel for the sale of Malt or Spirituous liquors and that no noxious or offensive trade or business shall be carried on upon the said plot of land And will not for a period of five years from the thirty first day of December One thousand eight hundred and ninety eight erect upon the said plot of land any building other than a Church Chapel or place for religious worship and also for Schools and Class Rooms in connection therewith as hereinbefore provided but after the expiration of that time should they for any cause wish to discontinue the said Church Chapel or place for religious worship or school or Class rooms then any houses or shops which may be erected on the said plot of land shall not be of a less rateable value than Thirty five pounds per year.

NOTE:-The building line referred to is the existing line of building.

END OF REGISTER

NOTE: The date at the beginning of an entry is the date on which the entry was made in the Register.





NOT TO SCALE.

FRONT OF POST OFFICE AT MARINE DRIVE

2 SHOP
4 3

Marine Drive Post Office Summary of events.

Between Christmas and New Year 2003 approx. I was contacted by the Postmaster Mr Lee Castleton. He told me that on week 39 he had been £1,100.00 short in his cash account. We discussed all the usual explanations i.e. Girobank errors, cheque deposits going through as cash. I told him to contact Girobank and National savings to see if there were any problems. I also asked him if he was able to make the amount good, as a Girobank error notice may take up to eight weeks to arrive. He said that he could make the amount good, and we left things at that. This had been the first time since taking over the office in the previous July that he had any major problems balancing.

I visited the office on Friday 16th January 2004, in my normal visiting plan. Nothing had yet come to light for the loss. The previous three weeks balances seemed fine.

Mr Castleton then contacted me after his next balance he was over £4k short. I said to him to repeat the process as before and contact Savings bank and Girobank. I asked if the cash was kept secure and who has access to it, Mr Castleton would not hear of any of his staff taking the money. On this occasion he said that he was unable to make the amount good. I told him to contact the helpline in order to get a hardship form. We discussed at length ways to double check all the work leaving the office and to perform a snap shot each evening and check the cash.

I contacted him after the next balance he said he was a further £2500 short. Again we had a long discussion on the telephone as to how to check all the daily work. Again I brought up in conversation the possibility of someone taking the cash. Lee discounted that in rather strong terms. I suggested individual stock unit balancing, and if he needed help setting this up I could help him. He didn't want to do this as he felt the office didn't lend itself to doing this.

The next week he was only £25 short so things seemed to have settled down. Until he balanced the week after and was £1500 short. By now after just four weeks he was £ 8243.10 short, not counting the £1,100 he had made good to start with.

I asked him if he had got a hardship form yet. He said no, so I said he must ring and get one.

He did, and the amount of £8243.10 was put into the suspense account.

At this point I was very concerned and contacted the Investigation team. They told me that as he had kept me fully informed of the loss then they would not be able to prove dishonesty.

I completed an audit request.

The week after he was £3509.18 short.

Lee told me that himself and Chrissie his assistant had spent hours and hours checking and double-checking transaction logs and work to try and prove that it was the computer equipment that was changing the figures. I asked him if he had found

anything. He hadn't. He is convinced that since he had a processor changed around about the time that the losses started it is that that is causing the losses.

I asked him to contact Horizon and get a system check. This was done and came back fine.

I asked him to contact the helpline, which he did and he sent off some cash accounts to look at.

I asked him to contact TP to see if there were any error notices pending.

I visited the office on Friday 27th February 2004. We went over everything again Lee was very distressed and angry, Chrissie his assistant was very worked up, upset and angry. They felt that they hadn't received any help and had been left to try and prove that the computer was changing the cash figures. At times they looked close to tears and said that they weren't sleeping. On top of all this Lees son needed an operation and was going into hospital. The stress levels in the office were high.....

I asked them what else I could do to help. We had covered all the usual possibilities. Lee and Chrissie kept on that they had not taken the money and that it must be the Horizon kit. Lee said that the Horizon system helpline had said that the checks had been ok, but what had they checked?

I told him to ring them back and ask. He said that they just told him everything was ok.

Lee said that he thought that the two processors were not communicating with each other and when he remmed in stock the system through the figures way out. I said why not do your end of day snap shot, then rem in, then call a second snap shot, this would then prove whether or not the system had changed anything. I said if the two processors were not communicating then work done on the second machine would not show up on the summary sheets. But all the P&A sheets and Girobank work was agreeing.

The next week, Lee transferred the previous balance into the suspense account. That figure was now at £11,752.78. He then showed a further shortage of £3512.26 on his balance of 4.3.2004. This amount was not made good and the week after this rolled amount escalated to £10,653.11. That would have been a true figure for the week of £7140.85 short.

The following Wednesday the amount (rolled again) was £11,210.56, a true figure of £557.45 short.

He was now showing £11,752.78 shortage in the suspense account and £ 11,210.56 on the account for week 51 (18.3.2004).

The audit was planned for the following Tuesday 23.3.2004. After the audit the total to late account was £25,758.75. He had lost a further £ 2795.41 in that week.

I took Lee into the back office to speak to him. I told him that I couldn't let him go on any more and as a precautionary measure was suspending him. I talked to him about what I would like to do with his permission. That was remove him and his staff from the Post office and operate the office with a temp Pmr, to see how it would balance. I

wanted to keep all the Horizon kit that they had been working with to try to keep everything else the same.

Although Lee was distressed and Chrissie was very angry, they both wanted to be proved that it was the computer. Lee even said he couldn't wait until the person was thousands short next week .He said then" heads will roll" for the distress that they have suffered.

I asked a very experienced Postmaster if she would run the office on a temp. basis. This was Mrs Ruth Simpson from First lane Post Office in Hull. Ruth agreed , but was only able to run the branch for a few weeks as she had commitments of her own. I explained the situation and she came and took over at the audit. She opened for business on the Wednesday morning and balanced £2.14 short on the night. She brought with her a part time member of staff to help out on a Monday. At close of business that first Monday she was £100 short. Her explanation was that the part timer had left something in the stack and paid out this amount twice. Ruth did say that the girl had done that in the past at her office.

I telephoned Lee to get any reaction from him. He said that there were queues out of the door, customers were unhappy. He said that Ruth was only using one computer not two as they had done , so it was not a true reflection of how they ran the office. He said that she had mis-balanced as well.

I said I would speak to Ruth regarding his concerns. I contacted Ruth. I asked her to use both machines and we discussed the queues. She said that on a Monday she had two people working all day, so two machines were used. For the rest of the week she was on her own, but logged on to the system with two user names and had two machines running. She was serving from both machines, remming in on both , putting the lottery cash through on both.

The next Wednesday she was £19.38 over. We talked every other day. She would text me and let me know she was ok.

The next balance she was £10.76 short.

I visited the office on Friday 16th April 2004. I spoke to Lee away from the counter. I asked him how things were going. He was again distressed. He wanted to know what was happening. We discussed Ruths balancing results. Chrissie came into the room , Lee was happy for her to stay. She wanted to know where the£100 shortage had gone on Ruths first full week. I explained what Ruth had thought. Chrissie made a comment , like Ruth couldn't balance either. Her manner was very aggressive and threatening. I said that I felt the balancing reflected any normal office. Again Lee and Chrissie went on about the computer and that it was making the losses.

After about 30 mins of going round in circles I told Lee that Ruth would be finishing on Wednesday 21st April due to her own commitments.I said that I was not going to let him back in there as I wanted more time and more balance results.Lee said that he didn't want to go in there as thing were anyway.We discussed another temp.

I spoke to Paul Whitaker from the investigations team again .He said that they didn't wish to take on the case or interview the Pmr as he had kept me fully informed of the situation on a weekly basis. Again he said that they needed to prove dishonesty and being able to prove this looked unlikely.

Mr Greg Booth took over as temp on Wednesday 21st April.

His first complete week ended on Wednesday 28th April , he declared a gain of £14.00.

I contacted Chesterfield again on the 29th April to see if there were any outstanding error notices. There was an error for lottery that had yet to be investigated for £125.00. An error for cheques that later cleared and did not generate an error notice. There was also an error for an Easy access account that had been processed incorrectly.

I contacted Girobank to see if there were any errors outstanding. I asked them to look back to week 43. He looked back to week 43 and came forward to week 02. There was a small error of £1.43 , but that would not be reported. Everything else was fine.

Mr Franks (Lees father in law) contacted me on Friday 23rd April , to discuss the way in which Lee and his daughter Lisa had been treated. I explained the situation and what I was trying to do. I told him that the suspension was a precaution and I was hoping that by having a temp Pmr in the office any problems with the computer equipment would come to light . Mr Franks demanded that Lee be reinstated immediately, he was very irate and wanted to take this higher. I gave him the HOA name , David Mellows-Facer, and told him that I would not be reinstating Lee at that time.

Mr Franks spoke with David Mellows-Facer and asked for a speedy conclusion to this situation.

David spoke to me and asked if Lee could be brought to interview ASAP. I explained to David that I would like to get a few more weeks of clear balancing at the office and to ensure that there were no errors yet to come out of the system. David's thoughts were that we had had five good balances and to get him in.

I sent out an RTU letter to Lee inviting him to an interview on Monday 10th May 04.

He sent me a letter asking for information from Horizon and NBSC. I have made every attempt to get this for him. I have used the staff in the area office and the contracts manager to help me. The case was taken on by Richard Benton, problem manager.

Lee then contacted me via the helpline on Tuesday 4th May 2004, to say that he had found £15k of the losses . I phoned him at the office to see where he had found the cash. He said that the suspense account had doubled the figures. When he had put the amounts into the suspense account , although the amount was showing in the suspense account it was also still showing as a loss again the next week. Lee asked for the

suspense account software to be checked. I again contacted the NBSC to request this. The request was forwarded to Richard in the problem management section.

To see if the suspense account was having any effect on the balance I contacted my temp, Greg Booth. I asked him how he was balancing that week on his snap shots. He told me that he was a few pounds over. It was now Wednesday 5th May, balance day. I told Greg what Lee had said about the suspense account. I asked Greg to put £100 into the shortages line on the suspense account. First he ran a snap shot, then he placed the £100 into the account, then he ran a second snap shot and a suspense account report. During this time the second Horizon kit was still being used by the assistant. The £100 was in the correct place and the cash figure on the snap shot had changed by £100. All was ok. I asked Greg to balance with those amounts still in the account. He should balance £100 over. I would then call on Friday and we would take the amount out, to see if the opposite occurred.

Greg left me a message on my phone later that evening to say that he had balanced over as we had expected.

Thursday 6th May. Contacted Chesterfield again to check any outstanding errors. Only the easy access error still showing.

Lee was sent a letter from the area office giving him the call log from NBSC, the e-mail between Richard and Julie, the audit report.

I contacted him by phone on 6th May, to let him know that I had received his letter and I was doing all I could to get him the information that he had requested. But I did tell him that I probably would not be able to get all that he was asking for.

The NBSC contacted me to say that the request to look into the suspense account software had been sent to the problem management team. I contacted Richard Benton, he said that the requests had been sent to Fujitsu, but that it could take several weeks before they would come back with an answer.

Monday 10th May 2004. RTU interview (see notes).

At the interview Lee could only give one explanation for the losses at his office and that was computer software problems. He did not provide any instances where the figures on his cash accounts were incorrect, it was always the cash figure that didn't match. He asked me to explain the discrepancies at the top of his final balances.

I sent copies to Liz Morgan and Davlynn Cumberland in Leeds, two very experienced suspense account people. They helped me with the wording for my explanation. I sent a letter to Lee on Friday 14th May, plus the interview notes.

Both Liz and Davlynn could not see anything wrong with the way the computers were working.

I discussed the whole case with my HOA throughout.

My decision is to summary terminate Lee Castletons contract for services.

To :	From :	cc :
Head of Area		

Date :

Audit of Marine Drive

The following control gaps were identified at the audit of the above named branch on 23.03.2003

- Personal cheques on hand incorrectly treated
- Misuse of monies
- Cash and stock not secured during lunchtime if not on premises
- Safe left open
- Safe keys left in safe door and not secured
- Unauthorised amounts held in suspense account (>£1000>8 weeks)
- Cash not listed accurately over £500
- Travellers cheques not kept in safe
- Foreign currency not held securely
- Procedures for adjusting losses and gains were not adhered to

3

Mr L Castleton
Post Office® Marine Drive branch

GRO

23.03.04

Dear Mr Castleton
Re: **SUSPENSION**

This is to confirm that your contract for services as Subpostmaster at Post Office® Marine Drive branch has been suspended with effect from 23 March 2004.

The suspension is precautionary pending further investigations and your remuneration will cease from this date. Any outstanding remuneration will also be withheld for the period of the suspension and the question of payment of remuneration to you for this period will be determined in accordance with Section 19 paragraph 6 of your Contract For Services on the termination of the period of suspension.

I will contact you again about this matter as soon as possible.

Yours sincerely

GRO

Lesley J Joyce
Contract Manager

Post Office Ltd
Darlington Area Office
Crown Street
Darlington
DL1 1AN
0945 604000

377

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PERSONAL AND IN CONFIDENCE

Mr Lee Castleton

Post Office® Marine Drive branch

GRO

26.04.04

Dear Mr Castleton

Re: SUSPENSION OF CONTRACT FOR SERVICES

I wrote to you on 23 March 2004 confirming the suspension of your contract for services as subpostmaster of Post Office® Marine Drive Branch.

I am now considering the summary termination of your contract for services on the grounds that the audit at your office on 23 March 2004 resulted in a total shortage of £25,758.75. You had reported to me large, unexplained losses over the preceding period of 12 weeks. You were unable to make good the losses and therefore the decision was made to suspend you from your contract for services due to the obvious risk to Post Office Ltd funds. There are a number of obligations set out within the Subpostmasters contract for services, one of which being retention of the appointment is dependant on the branch being well managed and the work performed properly to the satisfaction of Post Office Ltd, the Subpostmasters contract section 1, paragraph 5 and section 12, paragraph 12 refers. This is in accordance with Section 1, paragraph 10, of your Contract For Services, which provides that the Agreement may be determined at any time in case of breach of conditions by you, or non-performance of your obligations or non-provision of Post Office services.

I would now like to give you the opportunity to put forward any reasons why I should not pursue this course of action. You can do this by requesting a personal interview or submitting a response to the charge(s). In either case you should inform me of your intentions, in writing by 5 May 2004.

Page 1 of 3

Page 2 of 3

Re: SUSPENSION OF CONTRACT FOR SERVICES

I have provisionally set aside the morning of Monday 10 May 2004, at the Area Managers Office in Darlington, should you choose a personal interview. If this date is inconvenient we will of course re-arrange.

Should you choose a personal interview, you may be accompanied at the interview by a friend, who must be a fellow subpostmaster, or a registered Sub Office Assistant or a Consignia employee or an official/ representative of the National Federation of Subpostmasters. You also have the right to request and receive all information relating to the aforementioned charge.

Yours sincerely

Cath Oglesby
Retail Line Manager

Post Office Ltd
Operations
Darlington Area Office
Crown Street
Darlington DL1 1AN

To: Cath Oglesby
Retail Line Manager

*I wish to attend for interview

*I wish to submit written representation

*** Delete as appropriate**

Signed: _____

Date: _____

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L. CASTLETON

S

GRO

DEAR Mrs Oglesby/Mrs Joyce.

I am writing to you
in reply to your letter dated 26.04.04.

I would like to point out that the audit took place at this office at my request. I felt I was in a situation that nothing was being done and I felt I needed more people involved. This was asked for on the advice of a friend of mine who is also a Sub post master. I would also like you to consider the amount of phone calls and requests that were made throughout that twelve week period asking for help, advice and information. Whenever I have received any requests from anybody wishing to help, I have always furnished your company with any paperwork, documents or information. I would also like to point out that I have never refused or been unable to make good the losses. But would like to know

whether these losses actually exist or if as I believe they are a figment of a computer's imagination.

I would like you to send me any and all information relating to the aforementioned charge. I would also like you to send me

1. a full list of all software updates since Jan 16th 2004 to Now 28.04.04. Including date of download, reason for download, description of Program and any problems with the software since its installation to any machine
2. list of all calls to Horizon and NSBC from this office since 16th Jan 2004 to now including who made the call, who they spoke to, and reason for call, what action was taken after call was made.
3. list of all calls to Horizon and NSBC from any office in relation to computer balance problems that seem unexplained.
4. list of any Horizon problems which are either on-going or have been dealt with including suspense account problems. What action was taken and description of the work.

5. A DETAILED LIST OF THE REQUIREMENTS OF AN RLM IN SUCH A CASE. THE REASON ACTIONS WERE TAKEN AND WHEN THESE ACTIONS WERE TAKEN.

6. CONTRACTUAL OBLIGATIONS OF HORIZON WITH RESPECT TO HOW AND WHEN HORIZON SHOULD ACT WHEN A FAULT ON THE SYSTEM IS SUSPECTED.

WHAT ACTION IS TAKEN WITH DATA AT 'CLEAR DESKTOP' WITHIN HORIZON. WHERE IT IS STORED AND WHETHER THIS DATA HAS BEEN CHECKED. IF IT HAS BEEN CHECKED WHAT WAS THE DATA WHO CHECKED IT AND WHAT WAS THE OUTCOME.

8. COULD I ALSO HAVE A DETAILED BREAKDOWN OF WHAT IS CHECKED DURING A HORIZON SYSTEM CHECK WHEN SYSTEM CHECKS HAVE BEEN DONE ON MACHINES IN THIS OFFICE WHO DID THE CHECKS AND WHAT IS FOUND IN THE RESULTS OF THE TESTS. ALSO THE DATES AND TIMES OF THE CHECKS.

9. LIST OF BT LINE FAULTS SINCE 16th JAN 04 ON THIS PHONE LINE FROM 16th JAN 2004. ANY WORK REQUIRED AND REASON FOR WORK.

10. I WOULD ALSO LIKE TO KNOW IF THE COMPUTER SYSTEM HERE HAS BEEN OFF OVER THE PERIOD OF MY SUSPENSION. THE REASON FOR THEM BEING OFF. THE ACTIONS TAKEN INCLUDING A DETAILED LIST OF

ANY SOFTWARE CHANGES OR REPAIRS REQUIRED TO BRING THE SYSTEM ON-LINE AGAIN.

I HAVE VERBALLY ASKED FOR THIS INFORMATION ON TWO PREVIOUS OCCAISIONS. I BELIEVE THAT ALL OF THIS INFORMATION IS REQUIRED TO GIVE ME AN INSIGHT INTO HOW THIS SYSTEM WORKS. AS I HAVE ASKED PREVIOUSLY PLEASE, PLEASE HELP ME TO HELP MYSELF I FEEL COMPLETELY OUT OF THE 'LOOP'. BUT I ONLY WISH TO HELP TO UNRAVEL THIS.

LOOKING FORWARD TO YOUR
RESPONSE

YOURS FAITHFULLY

GRO

P.S. COULD YOU ALSO SEND ME THE BALANCE DATA SHEETS THAT ARE COMPILED AT CHESTERFIELD SO THAT I CAN COMPARE. I AM SURE THIS HAS ALREADY BEEN DONE BUT I WOULD JUST LIKE TO COMPARE THEM MYSELF.

6

PERSONAL AND IN CONFIDENCE

Mr Lee Castleton
Post Office® Marine Drive branch
14 South Marine Drive
Bridlington
YO15 3DB

06.05.04

Dear Lee

Please find enclosed the following:

- Copy of – Suspension letter – dated 23.03.04
- Copy of - Reasons to urge letter – dated 26.04.04
- Copy of e-mail from Fujitsu and logs of calls to Network Business Support Centre and HSH
- Copy of e-mail from Andrew Price
- Copy of Horizon System User Guide, Office Administration, System failure Subsections 12 and 13
- Copy of Audit report

Yours sincerely

Cath Oglesby
Retail Line Manager

Post Office Ltd
Operations
Darlington Area Office
Crown Street
Darlington DL1 1AN

Page 1 of 2

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(44

Page 2 of 2
Re: SUSPENSION OF CONTRACT FOR SERVICES

PERSONAL AND IN CONFIDENCE
Mr Lee Castleton
Post Office@ Marine Drive branch

GRO

386

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I'm just writing to say how disappointed and
 I quoted at the treatment of Mr Lee Hamilton
 and Mrs. Bridgman Chair of the above office.
 She be honest with you and tell you in
 Bridgman's method. She never seen her support, like
 the way she is at the moment.
 It's bad enough that maybe both had to
 come out of the office, but to see their
 customers having to stand in endless queues *
 knowing they both could have served them
 if they were making questions of them.
 It's having to just be polite and not
 go into details. They feel guilty, when
 you know they haven't done anything
 to hide, they haven't happened to justice,
 wrong. What happened to justice, INNOCENT TIL PROVEN GUILTY.

RECEIVED
 05 MAY 2004

Rei-MARINE DRIVE P.O.
 SOUTH MARINE DRIVE,
 BURLINGTON,
 West Sur/Madam,

GRO

14 1-905142301

2

Christine has worked there for 14 years, since her Y.T.S. When the business has been sold twice, her job has gone along with it. She has worked very hard at her job and knows it inside out.

The question I would like answered is: WHEN THEY BOTH RAN UP RIGHT FROM THE BEGINNING WHEN THINGS WERE GOING WRONG - DIDN'T SOMEONE COME OUT TO THEM AND EITHER GIVE THEM HELP OR CHECK THINGS OUT.

I think the fault lies more with your staff for letting the amount getting up to what it did, without at least trying to help them. ~~_____~~ ~~_____~~ ~~_____~~

Lee and Lisa have bought a nice business but this is all starting to take a toll ^{on} the shop. They have worked so hard at getting this all started, I hope this can soon all be sorted and everyone get back to normal.

The last thing every-one, staff, families and more so customers, wants is for this to close. To some of the old people maybe like their friends. They help them with

3
filling forms in, telling them were to enquire
things etc. Lots of them won't be able to
get to another office.

Please can you seriously listen to
Lee & Christine when they come to the
meeting. Neither of them have anything
to hide. I don't know how this has
happened, but please can you try to
get it all out with them.

Thanking you for reading this,
Hope you can help us all,
Yours,

GRO

MRS. AUDREY THIRSK.

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Cath Oglesby
05/05/2004 15:59

To: Jean Sokell/e/POSTOFFICE (GRO)
cc:
Subject: Marine Drive

Jean,

Please print.

----- Forwarded by Cath Oglesby/e/POSTOFFICE on 05/05/2004 15:58 -----



Andrew Price
20/04/2004 11:57

To: Cath Oglesby/e/POSTOFFICE (GRO)
cc:
Subject: Marine Drive

Cath,

I have asked both Sarah Pennington and Andrew Wise to provide a form of words and actions taken whilst dealing with the PM at the above branch:-

When I spoke to the PM at Marine Drive he was unsure what was causing these errors. He told me that he has been using the slave machine for his rem's and I assured him that wouldn't cause a problem as long as he was attached to the correct stock unit.

The PM thought there would be some errors relating to National Lottery, I phoned the Lottery team at Transaction Processing who confirmed that there were some errors relating to Lottery, but for every charge error there was a corresponding claim error, this was due to the lottery figures been entered on Horizon in the wrong CAP.

PM was also concerned that when entering the lottery figures, it was as though the terminals were not communicating, but if that was the case the PM would have large number of errors on every report and product.

The PM sent cash account information to NBSC and it was looked at by Andrew Wise, he was unable to find any errors. The only amount questioned was a large amount on the cheques to processing centre which Andrew was able to confirm was a cheque payment for the purchase of Premium Bonds. The PM was advised there was nothing more we could do and we suggested he works a manual system at the side of Horizon to see if any problems were highlighted.

Also when doing the rem's the PM should take a snapshot before and after to see if any problems were occurring when doing a remittance.

Andrew Wise and I both feel that the Horizon system is working properly and we are unable to help the PM any further.

I hope this information helps, please contact me if you want to clarify anything.

Regards
Andrew

Service Support Team Leader
Network Business Support Centre
Cortonwood Business Park
BARNSELY
S73 0UF

(GRO)

Richard,

I have had a chat with Anne, she used the message store viewing to investigate this. If you want copies of extracts for the particular incorrect declarations please submit an ad hoc request requesting this information. Hope this helps, see below:

NO TRANSACTION DATE AND TIME WAS PROVIDED FOR THIS ACTION USING CURRENT DATE

AND TIME By Anne Chambers at 26-feb-2004 15:16:00 Category 94 - Advice and guidance given I have checked various things on the system. All the internal

reconciliation checks are ok. Cheques are being handled correctly (except for 10th Feb when the clerk forgot to cut off the report - but this didn't cause a discrepancy). Cash declarations look ok, they usually use drawer id 11. Occasionally they have used a different drawer id, this can lead to amounts apparently doubling on the cash flow report, and should be avoided. But again it will not cause a discrepancy. Checking the cash transactions on the system against the declarations shows that they are not working particularly accurately (i.e. at the end of the day the cash they declare in the drawer is tens, hundreds or thousands of pounds astray from what has been recorded on the system). It is possible that they are not accurately recording all transactions on the system. There is no evidence whatsoever of any system problem. I've mentioned this outlet to Julie Welsh (Customer Services) who will try to get POL to follow it up, but in the meantime please tell the PM that we have investigated and the discrepancies are caused by the difference between the transactions they have recorded on the system and the cash they have declared, and are not being caused by the software or hardware.

Julie Welsh
Service Delivery Manager HSH
Business Service Management, Post Office Account

FUJITSU SERVICES
Lovelace Road
Bracknell
Berks
RG12 8SN

Tel:
Mob :
Fax:



Internal:
Internal:



E-mail: julie.welsh@GRO
Web: <http://services.fujitsu.com>

Please note change of e mail address with effect from 1st April 2004 to:
julie.welsh@GRO

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MARINE DRIVE INTERVIEW 10 MAY 04

**Attendees: Mr Lee Castleton Subpostmaster
Mrs Chrissie Train Post Office assistant
Cath Oglesby RLM
Lesley J Joyce CM**

Cath opened the interview by introducing everyone, explained the reasons for the interview, the roles of those in attendance, read out the charge and said it was LC's opportunity to give any explanations or reasons as to why his contract for services should not be terminated. (LC asked to tape the interview but was informed he could not but could take notes and be copied these notes)

CO then went on to give a summary of events which led to the suspension of LC on 23 March 04 due to an unexplained shortage of £25,758.75.

During the 12 weeks prior to audit LC had several large unexplained losses. LC was suspended as a precautionary measure to try and investigate where the losses were occurring. CO asked LC if he would allow his premises to be used to conduct PO services and he agreed.

LC's thoughts have always been that the Horizon system was to blame for the shortages so the only thing that was changed in the office was the 'people'. All the current staff came out of the office and a temporary Postmaster, Ruth Simpson, was allowed to run the branch, during the 4 weeks that RS was in place the cash accounts showed no large losses.

The system did crash on her and was re-booted but this did not affect the balance. She had problems with the AP card reader but was not allowed to change the kit under the circumstances. No problems occurred while remming in or with Lottery.

When RS finished Greg was appointed as temp Postmaster, again no problems with balances or with any of the above.

CO Went on to discuss actions she had taken:-

Horizon-Asked for a system check twice

1-During the time of large losses-----everything okay

2-During RS time

“

3-Asked what upgrades had there been since week 39, the HSH said upgrades happened all the time, to different offices and they were unable look at individual offices.

4-All the events on the software system checked back to 1 March 04, no abnormalities.

Chesterfield

1-Contacted them on a number of occasions regarding any outstanding error notices

APS-None up to week 3

Lottery small error on prizes

Girobank

Checked all the weeks up to week 02-no issues

LC Agreed with all of the above. He asked CO what she considered was an acceptable amount for cash account losses.

CO Said it varied for different office's but £20 per week was reasonable. CO opened the discussion to LC to give reasons for the losses.

LC Said that he had not taken any money and that he trusted his staff 100% not to have taken anything. He said that he had asked for 10 bits of information in the letter he sent but only received 1 item. He had asked Fujitsu for help and the NBSC and no one had got back to him, they were not prepared to help. He had spent hours each night with CT looking at the balances. He said that a remote test would not turn up on a software check, he understood there were a lot of problems with Horizon and the system, he had a lot of problems at the office with re-boots etc, so why did this happen if nothing was wrong with the system. No one would tell him what tests were done, I don't know what 'clear desk top' means. I have had a lot of e-mails from Postmasters who have problems with Horizon.

CO Replied that she had only received his letter on the night of wed 5th May which was only 2 working days prior to the interview and she was working on getting him the information he requested. She had suggested several things for him to do in the office such as individual balances and the idea that staff could be responsible but he would not take any measures or listen to this point of view. CO then said it would be helpful to go through the individual balances, week by week methodically and look at the suspense accounts. CO clarified LC understanding of how the cash account worked with regards to balances and losses and gains. LC Confirmed he understood.

CO Then goes into detail with balances, error notices, losses etc and the evidence she has with snapshots and declared cash. (Copies of all this information is provided with a list of all the results of the balance)

CO Asked LC to clarify if he made the error notices good but he could not remember. She clarified when the shortages were first put in the c/a. CO stated that not all the information such as snapshots were provided and LC said they were probably in the box.

CO refers LC to some of the cash declarations which have been manually altered or written on, specifically to week 47 and the declaration on 12 Feb 04 which had a figure of aprox £7000 written on the bottom of the cash declaration. Both LC and CT looked but although LC said he thought it was CT writing she was not certain. CO said this was very important as although the c/a for week 46 showed a loss of £8243.10 the following snapshots and declared cash did not evidence this. She explains:-

Snapshot at 17.27 on Fri 13 Feb shows you need £92095.36, cash declaration shows you have £99128.40, a gain of £7033.44.

Sat 14 Feb shows you need £95896.59, cash declaration shows you have £102706.10, a gain of £6809.51.

Mon 16 Feb snapshot shows you need £77958.28, cash declarations show you have £84909.54, a gain of £6951.26

Tuesday 17 Feb snapshot shows you need £68163.08, cash declaration shows you have £84909.54, a gain of £6776.77

HOWEVER The c/a on wed shows the cash is an exact match for the cash required on the balance-Where has this surplus gone?

LC Has no explanation and says it must be something to do with Horizon.
CO Goes on to give other examples where shortages in subsequent weeks do not then match the snapshot and declaration. (Evidence provided)
CO and LC then have a long discussion about the discrepancies shown on the snapshot and CO says she will clarify after interview.
CO asks again where the gains which are evident and which are hand written on the cash declaration could have gone.

LC says he does not know but he has not taken the money.

CO Says that the Horizon system works as a double entry system and everything she has looked at works through. Originally LC had said that the system was doing something when the rem's were put through but the evidence does not shows this. She had asked LC to run a snapshot after close of business, input the rem and then run another snapshot to see if figures were altered and asks LC if he had done this.

LC Says that he did not have time to do this, it had been a nightmare, he feels it is a computer problem and no-one has helped him. 5 months is a long time to try and remember what happened and what went on. He mentions other offices that have told him about problems with cheque listings and P&A dockets. He said that no-one had visited from Horizon to look at his problems and balances.

CO Explained that Horizon would not attend his office due to poor balances, they would need evidence of a problem which he was unable to provide, she also mentioned that she had given him advice and spent hours and hours on this case and his cash accounts. She asked LC if he could show her a figure that the Horizon system had changed which did not make sense or could prove his allegations.

LC Said no but he did know an office where it had changed a figure on Girobank although the office did receive corresponding error notices.

CO asked LC to confirm he had not taken the money

LC No. He asks to see the c/a's for weeks 1,2,3,4 which CO provides to him and says he can have copies.

CO asks if there is anything else he wants to add.

LC says he would like the explanation on the discrepancies, which CO agrees to provide.

CO told LC that she was still waiting for a response from Horizon regarding the checks on the software. As soon as they were available she would let him know the out come.

CO Ends the interview by thanking those in attendance.

PERSONAL AND IN CONFIDENCE
Mr Lee Castleton

GRO

14.05.04

Dear Lee

Re: Entries at top of Final Balance

I am writing to clarify the entries at the top of the final balance. The final balance shows the discrepancies in that balance period. During the week, if snapshots are taken then the NET discrepancy is brought forward from the previous week. If you look back to when the office was balancing you will see that the NET loss or gain flows through into the next week, until a final balance is produced. The final balance shows the discrepancies for that cash account week.

Transferring an amount into table 2a in the suspense account means that the system then puts the loss to one side and you continue with a straight balance.

On the first week that you transferred the loss into the suspense account, the previous weeks Net loss flowed through, as would be seen if snapshots were taken. Then when a final balance is produced the discrepancies are shown for that week. You produced a perfect balance e.g. no loss or gain, therefore the net discrepancy was nil.

On the week that you transferred the second amount into the suspense account, you had a further loss so the net discrepancy was this further loss. That is why the two final balances don't look similar. Please also find enclosed a copy of the interview notes.

Yours sincerely

Cath Oglesby
Retail Line Manager
Post Office Ltd
Operations
Darlington Area Office
Crown Street
Darlington DL1 1AN

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PERSONAL AND IN CONFIDENCE

Mr Lee Castleton

Post Office® Marine Drive branch

GRO

17.05.04

Dear Lee



I am writing following our meeting on Monday 10 May 2004, in which you put forward reasons why your contract for services should not be summarily terminated.

I have reviewed the papers relating to this case very carefully and have taken into account the points you have put forward.

After consideration I have decided to summarily terminate your contract for services as Subpostmaster of Post Office® Marine Drive branch from the date of your suspension, 23 March 2004, on the grounds that you have had several large unexplained losses at your office totalling £25,758.75. You were unable to make the losses good, which is in breach of your Contract For Services. There are a number of obligations set out within the Subpostmasters contract for services, one of which is that the branch is well managed and the work performed to the satisfaction of Post Office Ltd. I do not feel that you have achieved your obligations.

Please refer to your contract for services section 1, paragraphs 5 and 10 and section 12, paragraph 12.

You may, if you wish, appeal against my decision. If it is your intention to appeal, you should notify me, in writing by 31 May 2004. The format of the appeal can either be a personal interview or written submission. Should you wish to progress this avenue, I will arrange for the appeal to be heard by a member of Post Office Ltd Appeals Authority.

Post Office Ltd
Darlington Area Office
Crown Street
Darlington

Post Office Ltd
Registered in England and Wales number: 2154540
Registered Office: 80-86 Old Street
London EC1V 9NN

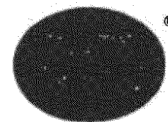
The Post Office and the Post Office symbol are

Please sign and return one copy of this letter immediately in the envelope provided. A second copy is enclosed for your retention.

Yours sincerely

GRO

Cath Oglesby
Retail Line Manager



To: Cath Oglesby
Retail Line Manager

I have noted the content of this letter.

If I decide to appeal against your decision, I will let you know separately.

Signed:

GRO

Date:

20-05-04

Mr L. Castleton

GRO

23rd May 2004.

Dear Cath,

I would like to APPEAL AGAINST YOUR DECISION TO TERMINATE MY CONTR DATED FROM 23rd MARCH 2004. PLEASE COULD YOU ORGANISE FOR A HEARING TO TAKE PLACE.

I would also like to REFER TO MY LET DATED 28-04-04 IN WHICH I ASKED FOR TEN PIECES OF INFORMATION RELATING TO THIS COMPUTER FAULT. COULD YOU PLEASE FORWARD THIS INFORMATION TO ME AS SOON AS POSSIBLE.

GRO

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Mr. L. Castleton

GRO

1ST JUNE 2004,

Dear Mr Melliss-facer,

I am writing to you following my telephone conversation with your P.A. Paula today. I am sorry you have nothing to say to me. I am sorry you would not take my call.

I have written to you previously. That letter remains unanswered. Your message to me through Paula stated you wished me to ring Cath Oglesby to obtain any further information. I rang Cath today and she told me that obtaining the information I have repeatedly asked both of you for is outside her capability. Could you please tell me who I need to talk to? This information should be easily and readily obtainable. I can see no reason for you to withhold any of this information yet you seem intent on doing so. Please could you furnish me with the information I require.

yours faithfully

GRO

In Strictest Confidence

Mr L Castleton

GRO

02.06.04

Dear Lee

I am in receipt of your letter dated 24th May 2004 and the fax you sent yesterday. I was not avoiding talking to you, I just had nothing to add to our previous conversation.

Also, I was attempting to draw together information to reply to your letter.

I am aware that the majority of your points were discussed prior to, or at interview. I will reply to your requests in the order that you put them in.

1. There have been numerous downloads to all branches since January 2004. The details of these are not available from the Horizon helpdesk.
2. You have already been given a copy of the call logs.
3. This information is not available because of Data Protection regulations.
4. This information is not available because of Data Protection regulations.
5. The Retail Line Manager has to protect Post Office Ltd assets. The decision to suspend a Subpostmaster as a precautionary measure is taken after advice on the issue in question has been given.
6. Horizon's remit is primarily as a helpdesk and source of information. They are not there to visit if a branch misbalances. Balances since your suspension have been within acceptable limits.
7. You mentioned 'clear desktop' at interview, but did not elaborate on what you meant. I am unclear on its relevance.
8. Horizon will not provide this information.
9. You will need to get this information yourself from BT.
10. You were given this information at interview.

I am told that you have been sent a copy of the notes of the interview. All information we are able to give you, you now have. You have appealed against the decision to terminate your contract. This appeal will now be arranged as soon as possible.

Yours sincerely

David Mellows-Facer
Head of Area

Post Office Ltd
Darlington Area Office
Crown Street
Darlington
DL1 1AN

Tel: **GRO**
Fax:

cc: Cath Oglesby, Retail Line Manager
Lesley Joyce, Contracts Manager