

Stephen Dilley

---

**From:** Stephen Dilley  
**Sent:** 14 November 2006 15:41  
**To:** 'M.Turner' [GRO]  
**Subject:** RE: Post Office Limited -v- Lee Castleton

**Without prejudice**

Dear Mr Turner,

Thanks for your email of earlier today with suggested amended wording.

I note that you are seeking formal instructions on the original paragraph 2 and will await your approval of the draft Tomlin order plus the draft wording of the letter Mr Castleton requires hopefully later today and then deal with this in the round.

I look forward to hearing from you.

Yours sincerely,

Stephen Dilley  
Solicitor  
for and on behalf of Bond Pearce LLP  
DDI: [GRO]  
Main office phone: [GRO]  
Fax: [GRO]  
[www.bondpearce.com](http://www.bondpearce.com)

---

**From:** M.Turner [GRO]  
**Sent:** 14 November 2006 09:30  
**To:** Stephen Dilley  
**Subject:** RE: Post Office Limited -v- Lee Castleton

**Without prejudice**

Dear Mr Dilley

Thank you for your e-mail below with draft order.

Whilst I have not yet been able to discuss it with him, I think it almost certain that the form of wording you suggest at paragraph 2 will not be acceptable to my client. I envisage that he would be prepared to provide a letter in the following terms:

"I, Mr Lee Castleton, the former subpostmaster at Marine Drive Post Office, Bridlington, fully and unreservedly withdraw the allegations I have made about the operation of the Horizon system. I undertake not to repeat those allegations and/or make any further allegations about the Horizon system and/or its functioning."

This provides your client with the formal confirmation that it requires.

I will revert to you later today on the form of wording for the reciprocal letter to be provided by your client.

14/11/2006

Regards,

Mark Turner  
Solicitor  
Commercial Group

Rowe Cohen Solicitors

T: **GRO**  
F:

-----Original Message-----

**From:** Stephen Dilley [mailto: ] **GRO**  
**Sent:** 10 November 2006 17:07  
**To:** Mark Turner  
**Cc:** Tom Beezer; alexander.gould; **GRO**  
**Subject:** Post Office Limited -v- Lee Castleton

**Without prejudice**

Dear Mr Turner,

I refer to our telephone conversation this afternoon.

1. I attach a draft consent order for your approval.
2. The wording of the letter from Mr Castleton to the Post Office referred to in paragraph 4 of the Tomlin Order shall read:

"I, Mr Lee Castleton, the former subpostmaster at Marine Drive Post Office, Bridlington, fully and unreservedly withdraw the untrue allegations I have made about the operation of the Horizon system. Previously I thought that losses that arose at the Marine Drive Post Office whilst I was subpostmaster arose due to a malfunction of the Horizon system, but I now accept that I was mistaken and that the losses were caused by human error. I declare that the Horizon system did not cause or contribute to the losses in any way and I formally withdraw all statements I made to the contrary and undertake not to repeat them, and/or make any further allegations about the Horizon system and/or its functioning."

3. I suggest you provide us with a draft form of wording for us to consider for the letter Mr Castleton seeks about no dishonesty allegation being made (as per para 3 of the Schedule to the Order)

4. As discussed:

(a) any settlement is not finalised until agreed in writing in the form of a signed order;

(b) Our Counsel's deemed brief fee will not be incurred on Monday, strictly provided that a final settlement order is agreed within the next few days. However, we have previously agreed with Counsel that if settlement occurs before that time, Counsel will be paid on an hourly basis for preparatory work done so far and any further work. Therefore, it is preferable from a costs point of view if an order is finalised

sooner rather than later; and

(c) We are ready, willing and able to exchange witness statements but given the parties are now focusing on settlement, do not propose to send them to you today.

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

Stephen Dilley  
Solicitor  
for and on behalf of Bond Pearce LLP  
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A. Farley - A. Sacks - A. Taylor - M. Woodall - R. Sproston - A. Curwen - S. Room - R. Myer - H. Burns - S. Sutton  
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**Stephen Dilley**

---

**From:** Stephen Dilley  
**Sent:** 14 November 2006 10:05  
**To:** 'mandy.talbot' [GRO]  
**Cc:** andrew.winn [GRO] Tom Beezer  
**Subject:** FW: Post Office Limited -v- Lee Castleton

Dear Mandy,

Please see below. Are you content with that suggested wording of Castleton's letter? Its not quite as strong as our wording, but if Castleton wants to enter the city, I didn't think he'd like our suggested wording for the same reason that he prefers a Tomlin order to a judgment.

I look forward to hearing from you.

Kind regards.

Stephen Dilley  
Solicitor  
for and on behalf of Bond Pearce LLP  
DDI: [GRO]  
Main office phone: + [GRO]  
Fax: + [GRO]  
[www.bondpearce.com](http://www.bondpearce.com)

---

**From:** M.Turner [GRO] [mailto:M.Turner [GRO]]  
**Sent:** 14 November 2006 09:30  
**To:** Stephen Dilley  
**Subject:** RE: Post Office Limited -v- Lee Castleton

**Without prejudice**

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This provides your client with the formal confirmation that it requires.

I will revert to you later today on the form of wording for the reciprocal letter to be provided by your client.

Regards,

Mark Turner  
Solicitor

14/11/2006

Commercial Group

Rowe Cohen Solicitors

T: **GRO**  
F:

-----Original Message-----

**From:** Stephen Dilley [mailto: ] **GRO**  
**Sent:** 10 November 2006 17:07  
**To:** Mark Turner  
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**Subject:** Post Office Limited -v- Lee Castleton

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(a) any settlement is not finalised until agreed in writing in the form of a signed order;

(b) Our Counsel's deemed brief fee will not be incurred on Monday, strictly provided that a final settlement order is agreed within the next few days. However, we have previously agreed with Counsel that if settlement occurs before that time, Counsel will be paid on an hourly basis for preparatory work done so far and any further work. Therefore, it is preferable from a costs point of view if an order is finalised sooner rather than later; and

(c) We are ready, willing and able to exchange witness statements but given the parties are now focusing on settlement, do not propose to send them to you today.

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

Stephen Dilley  
Solicitor  
for and on behalf of Bond Pearce LLP

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A. Farley - A. Sacks - A. Taylor - M. Woodall - R. Sproston - A. Curwen - S. Room - R. Myer - H. Burns - S. Sutton  
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Date: 10 November 2006  
Your ref: SJD3/FAC1/348035.134  
Our ref: MDT.113969  
Please ask for: Mark Turner  
Direct dial: **GRO**  
Direct fax : **GRO**  
E-mail: m.turner@**GRO**



Bond Pearce  
Solicitors  
DX 8251  
PLYMOUTH

**Without prejudice except as to costs**

Dear Sirs

**Post Office Limited –v- Mr L Castleton**

We refer to our conversation yesterday. We have now received via our counsel your client's response to the offer made by counsel to your counsel on 8 November.

Our client would be prepared to settle this claim on the following terms:

1. The terms of settlement are embodied in a Tomlin Order rather than a judgment, given that a judgment may well impact on our client's ability to re-enter the financial services sector in due course. An obligation to pay set out in the Schedule to the Order would be readily convertible into a judgment by your client pursuant to the liberty to apply as to implementation provision, if required.
2. The Defendant will pay the amount of the claim, £25,858.95, in full.
3. Interest will be payable from 23 March 2004 to date and continuing to pay at 1% above base rate applicable during the period (or such other rate over base rate at which your client is able to borrow).
4. The Defendant will pay the Claimant's costs to be assessed if not agreed (except as otherwise ordered):
  - 4.1 on the standard basis to 26 January 2006 (i.e. to 21 days after the date of your client's purported Part 36 offer letter); and
  - 4.2 on the indemnity basis from 26 January 2006 onwards
5. The Defendant will make a payment on account of costs of £30,000.
6. There be an exchange of letters as previously discussed, viz:
  - 6.1 The Post Office sets out that there no allegation of dishonesty is or has been made against Mr Castleton and that these proceedings were simply a claim for him to make good a shortfall in the accounts of the Post Office's branch at Marine Drive pursuant to his contractual obligations;
  - 6.2 Mr Castleton sets out that he withdraws his allegations in relation to the Horizon system.
7. Payment to be made within 21 days. The reason for this rather than the 14 days which we understand that your counsel indicated to our counsel is that our client is in the process of arranging a re-mortgage and it may be that funds will not be available within the 14 day period.

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DX 14352 MCR • Email: **GRO** • Website: www.rowecohen.com

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In relation to the offer set out in your letter of 5 January 2006, we note that it does not strictly speaking comply with the requirements of Part 36 since it was expressed as a lump sum settlement figure which was inclusive of costs. Your client cannot therefore be certain that it will attract the costs consequences of a true Part 36 offer (although we do recognise that the court has a discretion in this regard and that it can take it into account).

The above proposal gives your client almost everything that it seeks. We hope that your client will view it as a constructive attempt to bring these proceedings to a resolution at least further cost, bearing in mind the proximity of trial and the costs which would necessarily be incurred over the coming weeks if it should proceed.

We would invite you in light of this proposal to seek to agree with your client's counsel that the first tranche of his brief fee be delayed from next Monday to allow settlement discussions to proceed without further substantial costs accruing.

Yours faithfully

  
**ROWE COHEN**



*Bond Pearce*

10 November 2006

Rowe Cohen  
Solicitors  
DX 14352  
MCR-1

*NOT SENT*

**Bond Pearce LLP**  
Ballard House  
West Hoe Road  
Plymouth PL1 3AE

Tel: **GRO**  
Fax: **GRO**  
DX 8251 Plymouth

stephen.dilley **GRO**  
Direct: +44 **GRO**

Our ref:  
SJD3/NJM1/348035.134  
Your ref:

Dear Sirs

**Post Office Limited v Mr L Castleton**

We refer to our unanswered fax dated 9 November.

We enclose by way of service the witness statements and exhibits (where they have them) of the following people:

1. Michael Johnson;
2. Gillian Hoyland;
3. Ken Crawley;
4. Wendy Smith;
5. Paul Williamson;
6. Andrew Wise;
7. Anne Chambers;
8. Andrew Dunks;
9. Cath Oglesby;
10. Elizabeth Morgan;
11. Davlyn Cumberland;
12. Helen Rose;
13. Ruth Simpson;
14. John Jones;
15. Greg Booth (first statement); and
16. Greg Booth (second statement).

Kindly acknowledge receipt.

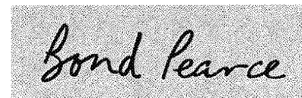
The court has asked us to produce a trial timetable. So that we can do so, please confirm which of our witness statements you require to attend the trial to be cross examined. We anticipate that you will not require all of the witnesses for examination, not least because 7 of them were not involved at the material time and their evidence relates to Post Office procedures. Obviously if we can reduce the number of witnesses who have to attend trial to give evidence, then this will save both parties and the court's time and costs.

We look forward to receiving your reply, together with your witness statements, as agreed, in today's DX.

Yours faithfully

Bond Pearce LLP

**Enclosures**



# Telephone attendance

---

Client: Royal Mail Group PLC Sub Postmaster Litigation

Matter: Mr Lee Castleton

Matter no: 348035.134

Attending:

---

Name: Stephen Dilley

Location: N/A

Date: 10 November 2006

Start time:

Units:

---

I had a telephone conversation with Richard Morgan. He confirmed he had put her offer to them. They didn't sound terribly impressed with this. There were two points arising:

1. What rate of interest did we want on the judgment debt for example would we accept 1% over base.
2. What payment on account do we want if we get indemnity costs.

I said I would seek instructions from Mandy. Also agreeing with Richard that the Post Office needed to move down from £186,000 on its costs position. Richard advising me to put our witness statements in the DX even though they probably wouldn't send theirs and that once we had released them we should call them and ask them if they had sent theirs and if they had not, we should tell them to hold ours to our order and we should consider making an application. I told Richard I would also be interested to see what their experts report said as that was due today.

12 minutes

**Stephen Dilley**

---

**From:** Stephen Dilley  
**Sent:** 10 November 2006 10:36  
**To:** 'Richard Morgan'  
**Subject:** Marine Drive on 23 March 2004 P.O -v- Castleton

Dear Richard,

Please see email below from the auditor . Basically, she now believes from reviewing the events log that Marine Drive didn't open at all on 23 March 2004.

Kind regards, Stephen

-----Original Message-----

From: helen.rose@postoffice.co.uk [mailto:helen.rose@postoffice.co.uk] **GRO**  
Sent: 10 November 2006 09:38  
To: Stephen Dilley  
Subject: Re: P.O -v- Castleton

Steven

Anything under user name ABC123 and Zaud99 would have been by the auditors either myself or Chris. So I would say the office did not open at all on the 23rd, all transactions on the 23rd were completed between 14:39 and 17:19 and look to be related to completing the account ready for transfer. I can only think that by 14:39 we had been told that the Postmaster was going to be suspended and from then on we would access the Horizon. As you can see we would not have touched the Horizon prior to knowing of the suspension as we would balance the office on our own system. P32. Once we were told of a suspension and transfer then we would ensure that the Horizon and P32 were correct by removing any amounts in the suspense account and posting total shortage to late account.

The temp postmaster took over and started serving in the morning of the 24th RSI001.

Regards

Helen Rose  
Security Analyst  
Post Office Ltd

Mobex: **GRO** Mobile: **GRO**  
External Email: helen.rose@postoffice.co.uk **GRO**

"Stephen Dilley"  
**GRO** To: <helen.rose@postoffice.co.uk> **GRO**  
cc:  
Subject: P.O -v- Castleton  
09/11/2006 12:21

Helen,

I've tried sending this again without the product codes attached to see if you receive it.

Kind regards. Stephen

From: Stephen Dilley

S: / / November 2006 12:17  
To: 'helen.rose@bondpearce.com' [GRO]  
Cc: Tom Reezer  
Subject: jitsu product codes.XLS  
Importance: High

Dear Helen,

I refer to our telephone conversation yesterday.

I know you don't remember whether the branch opened on 23 March (but doubt it would do), and I was wondering whether the event log for that day (pdf copy attached) plus product codes (attached excel spreadsheet) could assist? It may be that the events recorded were all audit related, but I was wondering if you could confirm either way.

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

Kind regards.

Stephen Dilley  
Solicitor  
for and on behalf of Bond Pearce LLP  
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Main office phone: [GRO]  
Fax: [GRO]  
www.bondpearce.com

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**Stephen Dilley**

---

**From:** Richard Morgan [GRO]  
**Sent:** 10 November 2006 15:10  
**To:** Stephen Dilley  
**Subject:** Slight amendment to para 2 of Schedule  
**Attachments:** Draft Tomlin Order 10th November 2006.doc

7 STONE BUILDINGS LINCOLN'S INN LONDON WC2A 3SZ  
TELEPHONE [GRO] FAX [GRO] LDE 326  
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**IN THE HIGH COURT OF JUSTICE**  
**QUEEN'S BENCH DIVISION**

**Claim No: HQ05X02706**

Master  
day the day of November 2006

**BETWEEN:**

**POST OFFICE LIMITED**

**Claimant**

**-and-**

**LEE CASTLETON**

**Defendant**

---

**DRAFT/  
TERMS OF ORDER  
BY CONSENT**

---

**UPON APPLICATION** by the Claimant and the Defendant by agreement in writing

**AND UPON** the Claimant and the Defendant having agreed to the terms of this Order

**BY CONSENT IT IS ORDERED** that:

1. The Counterclaim be dismissed.
2. All further proceedings on the Claimant's claims herein against the Defendant be stayed upon the terms set out in the attached Schedule signed by the parties, except for the purpose of enforcing those terms, for which purposes the parties have permission to apply. *-> to be signed*

3. The Defendant do pay to the Claimant its costs to date of and occasioned by the Claim and the Counterclaim, such costs to be assessed if not agreed:
  - a. On the standard basis up to and including 26 January 2006; and
  - b. On the indemnity basis from 26 January 2006 onwards.
  
4. The Defendant do by 4pm on [DAY AND DATE 21 DAYS LATER] make an interim payment of £30,000 on account of the Claimant's costs, such payment to be without prejudice to the Claimant's entitlement to apply subsequently for a further payment on account of its costs.
  
5. For the purposes of CPR Part 47 these proceedings be treated as concluded and pursuant to CPR Part 47.1 the Claimant's costs are to be assessed immediately.

We consent to the making of an  
Order in the above terms

We consent to the making of an  
Order in the above terms

.....  
Solicitors for the Claimant

.....  
Solicitors for the Defendant

**Schedule to Tomlin Order in Claim No: HQ05X02706**

The Claimant and the Defendant agree the following terms in full and final settlement of the claims made by the Claimant against the Defendant.

1. The Defendant do by 4pm on [DAY AND DATE 21 DAYS LATER] pay to the Claimant the sum of £25,858.95.
2. The Defendant do pay interest of [INSERT] on the sum of £25,858.95 from 23 March 2004 until [DAY AND DATE 21 DAYS LATER] and on any outstanding balance thereafter at the rate of 1% above the base rate of the Bank of England applicable from time to time during that period.
3. The Claimant do within 14 days of the date of this Order send to the Defendant a letter in the form attached hereto.
4. The Defendant do within 14 days of the date of this Order send to the Claimant a letter in the form attached hereto.
5. The Defendant undertakes to the Claimant that he will neither repeat his allegations about the Horizon system nor make any further allegations about the Horizon system or its functioning, and in the event that the Defendant breaches this undertaking he shall both (i) submit to an injunction restraining him from talking further about the Horizon system and (ii) pay to the Claimant liquidated damages in the amount of £25,000, being a genuine pre-estimate of (a) the Claimant's costs in having to rebut such statements and (b) its loss of goodwill generally.

Signed.....  
Bond Pearce LLP  
Solicitors for the Claimant  
Ballard House  
West Hoe Road  
Plymouth PL1 3AE

Signed.....  
Rowe Cohen  
Solicitors for the Defendant  
Quay House  
Quay Street  
Manchester M3 3JE



**Stephen Dilley**

---

**From:** Stephen Dilley  
**Sent:** 10 November 2006 16:00  
**To:** 'mandy.talbot'; GRO  
**Cc:** 'Richard Morgan'; Tom Beezer  
**Subject:** RE: Castleton's counter offer P.O -v- Castleton URGENT URGENT

**Attachments:** Draft Tomlin Order 10th November 2006.doc



Draft Tomlin Order  
10th Novemb...

Dear Mandy,

Thanks for your email.

1. I don't think Mr Castleton will want quite as plainly to admit owing the P.O money, for the same reason he doesn't want a judgment being entered against him. We can try to get him to say that if you want, but I doubt he will. I wonder if we can change it to:

"I, Mr Lee Castleton, the former postmaster at Marine Drive Post Office, Bridlington, fully and unreservedly withdraw the untrue allegations I have made about the operation of the Horizon system. Previously I thought that discrepancies that arose at the Marine Drive Post Office whilst I was subpostmaster arose due to a malfunction of the Horizon system, but I now accept that I was mistaken and that the discrepancies were caused by human error. I declare that the Horizon system did not cause or contribute to the discrepancies in any way and I formally withdraw all statements I made to the contrary and undertake not to repeat them, and/or make any further allegations about the Horizon system and/or its functioning."

2. I attach a draft consent order for your approval. The real question is whether we need the undertaking in clause 5 of the schedule. Richard thinks that by making a song and dance we highlight a sensitivity and that the less we talk about it, the less likely it is that Castleton will seek to raise it, because raising the issue in itself calls into question his reasons for settling. Also,

- (i) the loss figure is purely speculative
- (ii) we wonder the P.O want to police it in any event; and
- (iii) the letter along the above lines would probably discredit Castleton enough if he did give make further allegations or give evidence in the Bajaj, Bilkhu or any other cases.

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

Kind regards.

Stephen Dilley  
Solicitor  
for and on behalf of Bond Pearce LLP  
DDI: GRO  
Main office phone: GRO  
Fax: GRO  
www.bondpearce.com

-----Original Message-----

**From:** mandy.talbot; GRO [mailto:GRO]  
**Sent:** 10 November 2006 14:50  
**To:** Stephen Dilley  
**Subject:** Re: Castleton's counter offer P.O -v- Castleton URGENT URGENT

Stephen

What do you think of the proposed form of wording. Do you think Castleton will accept it?

Regards  
Mandy Talbot  
Dispute Resolution

Company Secretary's Office  
Royal Mail Legal Services  
148 Old Street  
London EC1V 9HQ

Postline: [GRO] STD Phone: [GRO] Fax: [GRO] Mobile:  
[GRO]

External Email: mandy.talbot [GRO]

----- Forwarded by Mandy Talbot/e/POSTOFFICE on 10/11/2006 14:48 -----

Keith K Baines

To: Mandy Talbot/e/POSTOFFICE@POSTOFFICE  
10/11/2006 14:10 cc: Biddy Wyles/e/POSTOFFICE@POSTOFFICE, Clare  
Wardle/e/POSTOFFICE@POSTOFFICE, John D  
Cole/e/POSTOFFICE@POSTOFFICE, Marie  
Cockett/e/POSTOFFICE@POSTOFFICE, Richard W  
Barker/e/POSTOFFICE@POSTOFFICE, Rod  
Ismay/e/POSTOFFICE@POSTOFFICE,  
stephen.dilley [GRO]  
Subject: Re: Castleton's counter offer P.O -v-  
Castleton URGENT URGENT(Document link: Mandy  
Talbot)

Mandy,

I think the draft says all that it needs to.

I have a few minor changes to suggest - revised text as follows:

"I Mr Lee Castleton the former postmaster at Marine Drive Post Office, Bridlington admit that a sum of money was owed by me to Post Office Ltd as a result of errors which arose whilst I was the postmaster at the above office. I had thought that this debt arose due to a malfunction of the HORIZON system but I now accept that I was mistaken and that the debt arose out of human error. I declare that the HORIZON system did not contribute to the errors in any way and formally withdraw all statements I made to the contrary."

and redlined against your draft....

"I Mr LLee Castleton the former postmaster at Marine Drive Post Office, Bridlington admit that a sum of money was owed by me to Post Office Ltd as a result of errors which arose whilst I was the postmaster at the above office. I had thought that this debt arose due to a malfunction of the HORIZON system but I know now accept that I was mistaken and that the debt arose out of human error. I declare that the HORIZON system did not contribute to the errors in any way and formally withdraw all statements I made to the contrary."

Regards,

Keith

Keith

Senior Contracts and Service Manager  
Post Office Ltd  
Operations  
2nd Floor, Calthorpe House, 15-20 Phoenix Place, LONDON, WC1X 0DA

Postline: [GRO] Mobex: [GRO]  
Phone: [GRO] Fax: [GRO] Mobile: [GRO] External Email:  
keith.k.baines [GRO]

Mandy Talbot

To: Richard W Barker/e/POSTOFFICE@POSTOFFICE,  
10/11/2006 12:40 Keith K Baines/e/POSTOFFICE@POSTOFFICE, Rod

Ismay/e/POSTOFFICE@POSTOFFICE, Marie  
Cockett/e/POSTOFFICE@POSTOFFICE, John D  
Cole/e/POSTOFFICE@POSTOFFICE  
cc: Clare Wardle/e/POSTOFFICE@POSTOFFICE, Biddy  
Wyles/e/POSTOFFICE@POSTOFFICE,  
stephen.dilley [GRO]  
Subject: Castleton's counter offer P.O -v- Castleton  
URGENT URGENT

You will all be pleased to know that the solicitors acting for Castleton have substantially accepted our counter proposal. I attach a copy of their letter.

Castleton is not prepared to have judgement entered against him because he claims it would prejudice his future career prospects and so the claim will be settled by way of a Tomlin Order. This means that if anybody searched the Court records all they would see is a record that the claim was resolved but the detail of the same is kept private.

Castleton is prepared to make an open statement that POL can use as it chooses exonerating the HORIZON system. I now need your assistance over the form of wording that POL would like to see in that statement.

I have prepared a short statement but would be very grateful for any improvements which you can suggest. We need to have a settled form of words to go back to Castleton's solicitors as soon as possible. This settlement is still without prejudice and does not formally conclude the action until it is signed so we must endeavour to get it signed as soon as possible.

"I Mr L Castleton the former postmaster at Marine Drive Post Office admit that a sum of money was owed by me to Post Office Ltd as a result of errors which arose whilst I was the postmaster at the above office. I had though that this debt arose due to a malfunction of the HORIZON system but I know accept that I was mistaken and that the debt arose out of human error. I declare that the HORIZON system did not contribute to the errors in any way and formally withdraw all statements I made to the contrary."

Mandy Talbot  
Dispute Resolution  
Company Secretary's Office  
Royal Mail Legal Services  
148 Old Street  
London EC1V 9HQ

Postline: [GRO] STD Phone: [GRO] Fax: [GRO] Mobile:  
[GRO]  
External Email: mandy.talbot [GRO]

>>>> ATTN5G5Z attachment was removed from this email <<<<

\*\*\*\*\*  
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Ref: SJD3/348035.134

Ref: MDT.113969

**Claim No: HQ05X02706**  
**IN THE HIGH COURT OF JUSTICE**  
**QUEEN'S BENCH DIVISION**

Master  
day the day of November 2006

**BETWEEN:**

**POST OFFICE LIMITED**  
**Claimant**

**-and-**

**LEE CASTLETON**  
**Defendant**

---

**DRAFT/  
TERMS OF ORDER  
BY CONSENT**

---

**Bond Pearce LLP**  
Ballard House  
West Hoe Road  
Plymouth PL1 3AE  
Ref: SJD3/348035.134

**Solicitors for the Claimant**

**Stephen Dilley**

---

**From:** Richard Morgan [rmorgan] GRO  
**Sent:** 10 November 2006 15:08  
**To:** Stephen Dilley  
**Subject:** Draft Tomlin Order  
**Attachments:** Draft Tomlin Order 10th November 2006.doc

7 STONE BUILDINGS LINCOLN'S INN LONDON WC2A 3SZ  
TELEPHONE GRO FAX + GRO LDE 326  
rmorgan GRO www.maitlandchambers.com

maitland  
CHAMBERS

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Stephen,

Please find attached my suggested revisions to the draft Terms of Order, for review. I have drafted a bit more into clause 5 of the schedule in order to give it some teeth, but only by way of example, and I wonder whether it is really necessary or appropriate? I say this because (i) the loss figure is purely speculative and (ii) I doubt whether we want to police it in any event. Further, by making a song and dance we highlight a sensitivity. The reality I suspect is that the less we talk about it, the less likely it is that Castleton will seek to raise it, since raising the issue in itself calls into question his reasons for settling.

In the circumstances I would suggest that the whole of clause 5 of the schedule is omitted.

All the best,  
Richard

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**IN THE HIGH COURT OF JUSTICE**  
**QUEEN'S BENCH DIVISION**

**Claim No: HQ05X02706**

Master  
day the day of November 2006

**BETWEEN:**

**POST OFFICE LIMITED**

**Claimant**

**-and-**

**LEE CASTLETON**

**Defendant**

---

**DRAFT/  
TERMS OF ORDER  
BY CONSENT**

---

**UPON APPLICATION** by the Claimant and the Defendant by agreement in writing

**AND UPON** the Claimant and the Defendant having agreed to the terms of this Order

**BY CONSENT IT IS ORDERED** that:

1. The Counterclaim be dismissed.
2. All further proceedings on the Claimant's claims herein against the Defendant be stayed upon the terms set out in the attached Schedule signed by the parties, except for the purpose of enforcing those terms, for which purposes the parties have permission to apply.

3. The Defendant do pay the Claimant's costs to date of and occasioned by the Claim and the Counterclaim, such costs to be assessed if not agreed:
  - a. On the standard basis up to and including 26 January 2006; and
  - b. On the indemnity basis from 26 January 2006 onwards.
  
4. The Defendant do by 4pm on [DAY AND DATE 21 DAYS LATER] make an interim payment of £30,000 on account of the Claimant's costs, such payment to be without prejudice to the Claimant's entitlement to apply subsequently for a further payment on account of its costs.
  
5. For the purposes of CPR Part 47 these proceedings be treated as concluded and pursuant to CPR Part 47.1 the Claimant's costs are to be assessed immediately.

We consent to the making of an  
Order in the above terms

We consent to the making of an  
Order in the above terms

.....  
Solicitors for the Claimant

.....  
Solicitors for the Defendant



**Schedule to Tomlin Order in Claim No: HQ05X02706**

The Claimant and the Defendant agree the following terms in full and final settlement of the claims made by the Claimant against the Defendant.

1. The Defendant do by 4pm on [DAY AND DATE 21 DAYS LATER] pay to the Claimant the sum of £25,858.95.
2. The Defendant do pay interest on the sum of £25,858.95 from 23 March 2004 until the date of payment at the rate of 1% above the base rate of the Bank of England applicable from time to time during that period.
3. The Claimant do within 14 days of the date of this Order send to the Defendant a letter in the form attached hereto.
4. The Defendant do within 14 days of the date of this Order send to the Claimant a letter in the form attached hereto.
5. The Defendant undertakes to the Claimant that he will neither repeat his allegations about the Horizon system nor make any further allegations about the Horizon system or its functioning, and in the event that the Defendant breaches this undertaking he shall both (i) submit to an injunction restraining him from talking further about the Horizon system and (ii) pay to the Claimant liquidated damages in the amount of £25,000, being a genuine pre-estimate of (a) the Claimant's costs in having to rebut such statements and (b) its loss of goodwill generally.

Signed.....  
Bond Pearce LLP  
Solicitors for the Claimant  
Ballard House  
West Hoe Road  
Plymouth PL1 3AE

Ref: SJD3/348035.134

Signed.....  
Rowe Cohen  
Solicitors for the Defendant  
Quay House  
Quay Street  
Manchester M3 3JE

Ref: MDT.113969

Claim No: HQ05X02706  
**IN THE HIGH COURT OF JUSTICE**  
**QUEEN'S BENCH DIVISION**

Master  
day the day of November 2006

**BETWEEN:**

**POST OFFICE LIMITED**  
**Claimant**

**-and-**

**LEE CASTLETON**  
**Defendant**

---

**DRAFT/  
TERMS OF ORDER  
BY CONSENT**

---

**Bond Pearce LLP**  
Ballard House  
West Hoe Road  
Plymouth PL1 3AE  
Ref: SJD3/348035.134

**Solicitors for the Claimant**

**Stephen Dilley**

---

**From:** Stephen Dilley  
**Sent:** 10 November 2006 12:55  
**To:** 'Richard Morgan'  
**Cc:** Tom Beezer  
**Subject:** Draft tomlin order  
**Attachments:** DOC\_1234609.DOC

Dear Richard,

Here's a draft for you to review. Once approved, I'll send to Mandy for approval.

Kind regards.

Stephen Dilley  
Solicitor  
for and on behalf of Bond Pearce LLP

DDI:

Main office phone:

Fax:

[www.bondpearce.com](http://www.bondpearce.com)

**IN THE HIGH COURT OF JUSTICE  
QUEEN'S BENCH DIVISION  
BETWEEN:**

**Claim Number: HQ05X02706**

**POST OFFICE LIMITED**

**Claimant/Part 20 Defendant**

**-and-**

**LEE CASTLETON**

**Defendant/Part 20 Claimant**

**ORDER**

UPON the parties having agreed terms of settlement

BY CONSENT

IT IS ORDERED THAT:-

1. All further proceedings herein be stayed upon the terms set out below and in Schedule 1 hereto save for the purposes of enforcement or carrying into effect the said terms, with liberty to apply for that purpose.
2. The Counterclaim be dismissed.
3. The Defendant do pay the Claimant's costs of the Claim and Counterclaim to be assessed, it not agreed:
  - (a) on the standard basis up to and including 26 January 2006; and
  - (b) on the indemnity basis from 26 January 2006 onwards.
4. The Defendant do make an interim payment of £30,000 on account of the Claimant's costs, such payment to be made in full and without set off within 21 days of the date of this Order.
5. The costs assessment referred to in paragraph 3 above do take place immediately.
6. The Claimant to have liberty to apply for an additional interim payment on accounts of costs, if so advised.
7. The trial listed to commence on 4 December 2006 be vacated.

Dated the                      day of November 2006

**SCHEDULE 1**

1. The Defendant do pay the Claimant the sum of £25,858.95 in full and final settlement of the Claim.
2. The Defendant do pay interest on the sum of £25,858.95 from 23 March 2004 until the date of payment at the rate of 1% above the base rate of the Bank of England applicable from time to time during that period.
3. The Claimant do within 14 days of the date of this Order send to the Defendant a letter in the form attached hereto setting out that it neither makes nor has made out any allegation of dishonesty against the Defendant.
4. The Defendant do within 14 days of the date of this Order send to the Claimant a letter in the form attached hereto confirming that he fully and unreservedly withdraws any and all allegations in relation to the Horizon system. The Defendant also undertakes to the Claimant and the Court that he will not repeat his allegations about the Horizon system and/or make any further allegations about the Horizon system.
5. Payment of the sums referred to in paragraphs 1 and 2 of this Schedule be made by the Defendant to the Claimant in full and without set off within 21 days of the date of this Order.

Signed.....  
Bond Pearce LLP

Solicitors for the Claimant/  
Part 20 Defendant

Ballard House  
West Hoe Road  
Plymouth PL1 3AE

Ref: SJD3/348035.134

Signed.....  
Rowe Cohen

Solicitors for the Defendant/Part 20  
Claimant

Quay House  
Quay Street  
Manchester M3 3JE

Ref: MDT.113969

**Claim Number: HQ05X02706**

**IN THE HIGH COURT OF JUSTICE**

**QUEEN'S BENCH DIVISION**

**BETWEEN:**

**POST OFFICE LIMITED**

**Claimant/Part 20 Defendant**

**-and-**

**LEE CASTLETON**

**Defendant/Part 20 Claimant**

**ORDER**

**Bond Pearce LLP**

Ballard House

West Hoe Road

Plymouth PL1 3AE

Ref: SJD3/348035.134

**Stephen Dilley**

---

**From:** Stephen Dilley  
**Sent:** 10 November 2006 10:23  
**To:** 'mandy.talbot' GRO  
**Cc:** Tom Beezer  
**Subject:** P.O's counterproposal to Mr Castleton  
**Attachments:** LFORM\_1153255.PDF

Dear Mandy,

Just to confirm Richard has put our without prejudice counter offer to Mr Castleton's barrister i.e:

1. Judgment against Mr Castleton for full amount of claim of £25,858.95 plus interest;
2. Payment of costs £186,000, or our costs to be assessed on an indemnity basis with a substantial up front payment on account of an amount to be agreed.
3. Castleton resolves rent position directly with Dorothy Day (current subpostmistress);
4. P.O don't employ assistants in the P.O branches, so payment of Christine Train's is for Mr Castleton and Dorothy Day to resolve i.e P.O is not going to get involved;
5. P.O to prepare letter in wording to be agreed that it doesn't allege dishonesty vs Mr Castleton;
6. Castleton to prepare letter/statement in wording to be agreed that he withdraws all allegations about Horizon; and
7. Payment of above sums within 14 days.

They are taking instructions but apparently didn't sound too impressed. I think costs may be a sticking point at the moment. I anticipate the P.O's view is that the most important thing is to get judgment for the full amount (to send out a clear message) and to negotiate the best possible costs recovery in the circumstances in the knowledge however, that

- (i) If we go to trial and win, a costs capping order may be made and costs reduced significantly on assessment; and
- (ii) (more significantly) in any event Castleton may not have sufficient funds to pay any costs award made against him.

However, as I explained to Richard, we told them what the costs would be months ago, so they shouldn't be surprised. Also, they turned down our ADR offer and could have saved costs by settling earlier, so they've only got themselves to blame. Just a few points for you to consider:

(a) What rate of interest would the P.O want on the judgment debt - would the P.O be prepared to accept 1% over base?

(b) If Castleton agrees to pay indemnity costs to be assessed, what payment on account would the P.O seek pending the assessment? Should we say £100,000?

(c) On 17 January 2006, Rowe Cohen rejected the P.O's CPR Part 36 offer to accept payment of £24,750 in full and final settlement of the claim and counterclaim, including interest and costs. However as you know the Court rules allow Mr Castleton to accept that Part 36 offer now provided either he agrees costs with us, or he gets the Court's permission (in which case the Court would make an order as to costs). If Mr Castleton decides to do this, the P.O would at least get more in relation to the claim than £22,350 (his opening offer). In that event, I would also expect the Court to order Mr Castleton to pay the P.O's costs from around 17 January onwards, to be assessed if not agreed. There would be argument whether this would be on the standard or indemnity basis. Mr Castleton's lawyers have not raised this possibility (it may not yet have occurred to them), but we should just be aware of it.

10/11/2006

(d) The difference between Castleton's proposal to pay £22,350 and the full amount of the claim is just over £3,500. From now to trial, on a rough estimate I can see the P.O easily incurring further costs of approximately £130,000 (Bond Pearce, expert and Counsel). Even if the P.O wins and is awarded costs without a capping order, its costs would be assessed and on assessment the P.O may be awarded 60% to 70% of its costs. This could mean that the irrecoverable element of just those costs that are incurred between now and the end of trial could easily be around £40,000. This would more than cancel out any "gain" of the extra £3,500 the P.O might make if it gets judgment. Of course, balanced against this is that there would be a significant commercial advantage to the P.O to having a reasoned judgment in its favour: it would send out a clear message to other subpostmasters.

(e) Richard gets the impression (and it is only that) that Castleton will personally have to fund any settlement. Accordingly, whether settlement is reached may well depend on what funds Castleton can raise. Just a reminder about the asset check we previously did (copy attached) showed that Mr and Mrs Castleton jointly own 14 South Marine Drive Bridlington and that they purchased it for £218,000, in October 2003 with a Royal Bank of Scotland mortgage. Mr and Mrs Castleton also own a motor vehicle, but the make and model are unknown. Given that Mr and Mrs Castleton purchased the property with the assistance of a mortgage 2 and a half years ago, there may not be a great deal of equity, but we do not have sufficient information to determine this. If you want, I can have our agent make enquiries to as to how much the building at Marine Drive would currently be worth, as it may have increased in value from £218,000. In my experience, you only tend to get a rough figure from these sorts of enquiries, but it might be helpful to have an indication because it would show the approximate minimum equity and thus, what Castleton might at a minimum be able to afford to pay the P.O.

I will update you when we get Mr Castleton's response to the counter offer.

Kind regards.

Stephen Dilley  
Solicitor  
for and on behalf of Bond Pearce LLP

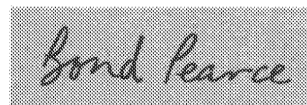
DDI: + [REDACTED] GRO

Main office phone: + [REDACTED] GRO

Fax: + [REDACTED] GRO

[www.bondpearce.com](http://www.bondpearce.com)





# Memo

If you have any questions concerning this memo please telephone the number below

To: SJD3

From: Helen Milne

Direct: GRO

Date: 10 November 2006

## Notification of payment memo

£273.60 from Rowe Cohen in respect of the following:

Bill Numbers(s):1019962 File Number: 348035.134

Office receipt chit has been raised by Credit Control. Payer has not been given a receipt.

Not yet paid disbursements to be addressed: Yes  No

**Helen Milne**  
Credit Control Assistant

Date: 8 November 2006  
Your ref: SJD3/FAC1/348035.134  
Our ref: MDT.113969  
Please ask for: Mark Turner  
Direct dial: **GRO**  
Direct fax :  
E-mail: m.turner@**GRO**



Bond Pearce  
Solicitors  
DX 8251  
PLYMOUTH



Dear Sirs

**Post Office Limited -v- Mr L Castleton**

With apologies for the delay in settlement, we enclose a cheque in respect of your photocopying invoice.

Yours faithfully

  
**ROWE COHEN**

Enc

Quay House • Quay Street • Manchester M3 3JE • Tel: **GRO** • Fax: **GRO**  
DX 14352 MCR-1 • Email law@**GRO** • Website www.rowecohen.com

**Partners:** S. E. Cohen • D.J. Horwich • I.N. Lewis • M.V. Hymanson • G.P. Small • A. Dennison • B.T. Coghlan • J.V. Dwek • A. Farley • A. Sacks • A. Taylor • M.C. Woodall  
R.J. Sproston • S. Room • A. Curwen • R.J. Myer • H. Burns • S.P. Sutton **Associates:** L.F. Swerling • A.D. Owens • M. Molloy • P. Sampson **Consultants:** I. Rowe • M.T. Horwich

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# Statement

*Bond Pearce*

*Bond Pearce*

To: 30/09/06  
Date: 13 October 2006

Our ref: Credit Control 361311

Rowe Cohen  
Quay House  
Quay Street  
Manchester  
M3 3JE

**Bond Pearce LLP**  
Ballard House  
West Hoe Road  
Plymouth PL1 3AE

Tel : +44 **GRO**  
Fax: **GRO**  
DX 8251 Plymouth 2

creditcontrol@bondpearce.com

**Bond Pearce LLP**  
Ballard House  
West Hoe Road  
Plymouth PL1 3AE

Tel : +44 **GRO**  
Fax: **GRO**  
DX 8251 Plymouth 2

**Remittance**

Date: 13 October 2006  
Our ref: Credit Control  
361311

Invoice date	Invoice No	Our Ref	Your Ref	Description	Total (£)	Invoice no	Total (£)
27/06/06	1019962	348035.00134		Mr Lee Castleton	272.60	1019962	272.60
				<b>Total</b>	<b>£272.60</b>	<b>Total</b>	<b>272.60</b>

*Bond Pearce*

# Telephone attendance

---

Client: Royal Mail Group PLC Sub Postmaster Litigation

Matter: Mr Lee Castleton

Matter no: 348035.134

Attending:

---

Name: Stephen Dilley

Location: N/A

Date: 10 November 2006

Start time:

Units:

---

I had a telephone conversation with Richard Morgan and Mandy Talbot in relation to a fax received from Rowe Cohen solicitors this afternoon with their counter proposal. All of us agreeing that it was a really good result for the Post Office. Basically the real question is whether we should go back on trying to increase the initial payment of account and Mandy thinks not, that we should stick with £30,000. The other substantial point is as far as the Post Office are concerned, the Tomlin Order point and Mandy is willing to agree to that and Richard pointed out that the other side hadn't agreed to a confidentiality clause in it.

Agreeing with Mandy that we will draw up a Tomlin Order for her approval and that I will stand down BDO Stoy Hayward from doing any further work. Richard suggesting that Mandy prepares the wording of the letter to come from Castleton stating that he makes no allegations about Horizon.

Time engaged: 24 minutes.

Thereafter I had a telephone conversation with Mark Turner of Rowe Cohen solicitors. I explained that the telephone conversation was on a without prejudice basis and that the discussions between counsel had so far also been on that basis as opposed to a without prejudice save as to costs basis.

I stated that the Post Office was going to focus on settlement at the moment rather than the trial. I said that any settlement would not be binding until agreed and recorded in a signed Consent Order. He agreed. I said that the cost points in the Consent Order needed to be dealt with in the man bit rather than in the schedule to the Order. He agreed.

I said that our counsel's briefing would not be incurred on Monday strictly provided that a final settlement is agreed within the next few days, but that counsel was going to be charging on an hourly rate for all the work done so far.

I also said that we are ready to exchange Witness Statements but given that we are now focusing on settlement, and did not propose to send them in the DX.

He was relieved that the briefing would not be deemed incurred on Monday. I said that in principle we had the making of a settlement agreement. What I would do is prepare a Tomlin Order and send it to my client for approval this afternoon and then send it to him. He asked me to copy in his counsel as well and explained that he would be away from the office on Monday.

Time engaged: 12 minutes.

I had a telephone conversation with Jeff Porter at BDO Stoy Hayward. Asking him not to do any further work for the moment. Explaining that a settlement was being reached in principle and was not finalised yet, but that we were working towards settling rather than trial. I said that I thought the terms would be finalised in the middle of next week at which point I would ask him to raise an invoice and submit it, but that it would need to fully explain what they had been doing and how their time was broken down because this would need to be dependable on a cost assessment. I also thanked him for his work.

Time engaged: 12 minutes.

I had a telephone conversation with Richard at 4.15pm in relation to the wording of the Order he had e-mailed through to me as amended, especially paragraph 2 – did we want to say we had liberty to enter judgement and he agreed with me that we probably didn't for the same reason that Mr Castleton wouldn't consent to having judgement entered against him. He also thinks that we should remove paragraph 5 of the schedule that he had added on.

Time engaged: 12 minutes.

**Stephen Dilley**

---

**From:** Stephen Dilley  
**Sent:** 10 November 2006 11:42  
**To:** 'mandy.talbot'; [REDACTED] GRO  
**Cc:** andrew.winn; [REDACTED] GRO; 'Richard Morgan'; Tom Beezer; Thomas Bourne  
**Subject:** Castleton's counter offer P.O -v- Castleton  
**Attachments:** eCopy scanned document.pdf

Dear Mandy,

I refer to my earlier email.

I attach Mr Castleton's counter offer and am pleased to confirm this is more or less a total collapse on their side. I will call you to discuss shortly. Just a few points really:

1. Castleton to pay debt of £25,858.95 in full plus interest at 1% above base for applicable period
2. Castleton to pay costs on standard basis up to 26 January 2006 (21 days after the P.O's CPR part 36 offer) and indemnity basis after that date.
3. They want a Tomlin Order rather than a judgment (which means the settlement terms are more confidential. This is so that Castleton can re-enter the financial services sector). Given that Castleton is to withdraw his allegations vs Horizon, you might not consider that this is a sticking point, but we should discuss the implications.
4. He's offered costs to make initial payment on account of costs of £30,000. I think we should go back with say £80,000 but settle at £50,000 for the initial payment.
5. It would still be neater and quicker to try to agree costs rather than get them assessed and I think we should invite Castleton to make an offer on this, but this should not be a sticking point.

I will contact you shortly.

Kind regards.

Stephen Dilley  
Solicitor  
for and on behalf of Bond Pearce LLP  
DDI: +44 [REDACTED] GRO  
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10-NOV-2006 11:09 FROM ROWE COHEN SOLICITORS

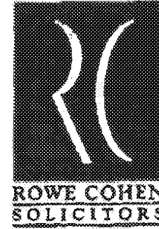
TO **GRO**

P. 01/03

QUAY HOUSE, QUAY STREET, MANCHESTER. M3 3JE (DX 14352 MCR-1)

Telephone No:  
Fax No:

**GRO**



ACQUIN  
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# Fax

**To:** Stephen Dilley - Bond Pearce      **From:** Mark Turner

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**Fax:** **GRO**      **Pages:**

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**Phone:**      **Date:** 10/11/06

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**Re:** The Post Office -v- Lea Castleton      **CC:**

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Urgent    For Review    Please Comment    Please Reply    Please Recycle

10-NOV-2006 11:09 FROM ROWE COHEN SOLICITORS

TO **GRO**

P.02/03

Date: 10 November 2006  
Your ref: SJD3/FAC1/348035.134  
Our ref: MDT.113969  
Please ask for: Mark Turner  
Direct dial: **GRO**  
Direct fax :  
E-mail: m.turner@**GRO**



Bond Pearce  
Solicitors  
DX 8251  
PLYMOUTH

Without prejudice except as to costs

Dear Sirs

Post Office Limited -v- Mr L Castleton

We refer to our conversation yesterday. We have now received via our counsel your client's response to the offer made by counsel to your counsel on 8 November.

Our client would be prepared to settle this claim on the following terms:

1. The terms of settlement are embodied in a Tomlin Order rather than a judgment, given that a judgment may well impact on our client's ability to re-enter the financial services sector in due course. An obligation to pay set out in the Schedule to the Order would be readily convertible into a judgment by your client pursuant to the liberty to apply as to implementation provision, if required.
2. The Defendant will pay the amount of the claim, £25,858.95, in full.
3. Interest will be payable from 23 March 2004 to date and continuing to pay at 1% above base rate applicable during the period (or such other rate over base rate at which your client is able to borrow).
4. The Defendant will pay the Claimant's costs to be assessed if not agreed (except as otherwise ordered):
  - 4.1 on the standard basis to 26 January 2006 (i.e. to 21 days after the date of your client's purported Part 36 offer letter); and
  - 4.2 on the indemnity basis from 26 January 2006 onwards
5. The Defendant will make a payment on account of costs of £30,000.
6. There be an exchange of letters as previously discussed, viz:
  - 6.1 The Post Office sets out that there no allegation of dishonesty is or has been made against Mr Castleton and that these proceedings were simply a claim for him to make good a shortfall in the accounts of the Post Office's branch at Marine Drive pursuant to his contractual obligations;
  - 6.2 Mr Castleton sets out that he withdraws his allegations in relation to the Horizon system.
7. Payment to be made within 21 days. The reason for this rather than the 14 days which we understand that your counsel indicated to our counsel is that our client is in the process of arranging a re-mortgage and it may be that funds will not be available within the 14 day period.

Quay House • Quay Street • Manchester M3 3JE • Tel **GRO** Fax **GRO**  
DX 14352 MCR-1 • Email law@**GRO** • Website www.rowecohen.com

Partners: S.E. Cohen • D.J. Horwich • J.N. Lewis • M.V. Hymanson • G.P. Small • A. Deanson • B.T. Coghlan • J.V. Dwek • A. Farley • A. Sacks • A. Taylor • M.C. Woodall  
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10-NOV-2006 11:05

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G:\MARKET\BBEY\CASTLETON\101106 LETTER TO BOND PEARCE  
INVESTOR B. PROPLR

P.02



10-NOV-2006 11:09 FROM ROWE COHEN SOLICITORS

TO GRO

P.03/03

In relation to the offer set out in your letter of 5 January 2006, we note that it does not strictly speaking comply with the requirements of Part 36 since it was expressed as a lump sum settlement figure which was inclusive of costs. Your client cannot therefore be certain that it will attract the costs consequences of a true Part 36 offer (although we do recognise that the court has a discretion in this regard and that it can take it into account).

The above proposal gives your client almost everything that it seeks. We hope that your client will view it as a constructive attempt to bring these proceedings to a resolution at least further cost, bearing in mind the proximity of trial and the costs which would necessarily be incurred over the coming weeks if it should proceed.

We would invite you in light of this proposal to seek to agree with your client's counsel that the first tranche of his brief fee be delayed from next Monday to allow settlement discussions to proceed without further substantial costs accruing.

Yours faithfully

  
ROWE COHEN

**Stephen Dilley**

---

**From:** Stephen Dilley  
**Sent:** 10 November 2006 17:07  
**To:** 'M.Turner'; [REDACTED] **GRO**  
**Cc:** Tom Beezer; 'alexander.gould'; [REDACTED] **GRO**  
**Subject:** Post Office Limited -v- Lee Castleton  
**Attachments:** DOC\_1234788.DOC

**Without prejudice**

Dear Mr Turner,

I refer to our telephone conversation this afternoon.

1. I attach a draft consent order for your approval.
2. The wording of the letter from Mr Castleton to the Post Office referred to in paragraph 4 of the Tomlin Order shall read:

"I, Mr Lee Castleton, the former subpostmaster at Marine Drive Post Office, Bridlington, fully and unreservedly withdraw the untrue allegations I have made about the operation of the Horizon system. Previously I thought that losses that arose at the Marine Drive Post Office whilst I was subpostmaster arose due to a malfunction of the Horizon system, but I now accept that I was mistaken and that the losses were caused by human error. I declare that the Horizon system did not cause or contribute to the losses in any way and I formally withdraw all statements I made to the contrary and undertake not to repeat them, and/or make any further allegations about the Horizon system and/or its functioning."

3. I suggest you provide us with a draft form of wording for us to consider for the letter Mr Castleton seeks about no dishonesty allegation being made (as per para 3 of the Schedule to the Order)

4. As discussed:

- (a) any settlement is not finalised until agreed in writing in the form of a signed order;
- (b) Our Counsel's deemed brief fee will not be incurred on Monday, strictly provided that a final settlement order is agreed within the next few days. However, we have previously agreed with Counsel that if settlement occurs before that time, Counsel will be paid on an hourly basis for preparatory work done so far and any further work. Therefore, it is preferable from a costs point of view if an order is finalised sooner rather than later; and
- (c) We are ready, willing and able to exchange witness statements but given the parties are now focusing on settlement, do not propose to send them to you today.

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

Stephen Dilley  
Solicitor  
for and on behalf of Bond Pearce LLP  
DDI: [REDACTED] **GRO**  
Main office phone: [REDACTED] **GRO**  
Fax: +[REDACTED] **GRO**

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**IN THE HIGH COURT OF JUSTICE**  
**QUEEN'S BENCH DIVISION**

**Claim No: HQ05X02706**

**Master**  
**the**                    **day of November 2006**

**BETWEEN:**

**POST OFFICE LIMITED**

**Claimant/Part 20 Defendant**

**-and-**

**LEE CASTLETON**

**Defendant/Part 20 Claimant**

---

**DRAFT/  
TERMS OF ORDER  
BY CONSENT**

---

**UPON APPLICATION** by the Claimant and the Defendant by agreement in writing

**AND UPON** the Claimant and the Defendant having agreed to the terms of this Order

**BY CONSENT IT IS ORDERED** that:

1. The Counterclaim be dismissed.
  
2. All further proceedings on the Claimant's claims herein against the Defendant be stayed upon the terms set out in the attached Schedule signed by the parties, except for the purpose of enforcing those terms, for which purposes the parties have permission to apply.
  
3. The Defendant do pay to the Claimant its costs to date of and occasioned by the Claim and the Counterclaim, such costs to be assessed if not agreed:
  - a. On the standard basis up to and including 26 January 2006; and
  - b. On the indemnity basis from 26 January 2006 onwards.

4. The Defendant do by 4pm on [DAY AND DATE 21 DAYS LATER] make an interim payment of £30,000 on account of the Claimant's costs, such payment to be without prejudice to the Claimant's entitlement to apply subsequently for a further payment on account of its costs.
  
5. For the purposes of CPR Part 47 these proceedings be treated as concluded and pursuant to CPR Part 47.1 the Claimant's costs are to be assessed immediately.

We consent to the making of an  
Order in the above terms

We consent to the making of an  
Order in the above terms

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

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

Dated.....2006

**Schedule to Tomlin Order in Claim No: HQ05X02706**

The Claimant and the Defendant agree the following terms in full and final settlement of the claims made by the Claimant against the Defendant.

1. The Defendant do by 4pm on [DAY AND DATE 21 DAYS LATER] pay to the Claimant the sum of £25,858.95.
2. The Defendant do pay interest of [INSERT] on the sum of £25,858.95 from 23 March 2004 until [DAY AND DATE 21 DAYS LATER] and on any outstanding balance thereafter at the rate of 1% above the base rate of the Bank of England applicable from time to time during that period.
3. The Claimant do within 14 days of the date of this Order send to the Defendant a letter in the form attached hereto.
4. The Defendant do within 14 days of the date of this Order send to the Claimant a letter in the form attached hereto.
5. The Defendant undertakes to the Claimant that he will neither repeat his allegations about the Horizon system nor make any further allegations about the Horizon system or its functioning.

Signed.....  
Bond Pearce LLP

Solicitors for the Claimant/  
Part 20 Defendant  
Ballard House  
West Hoe Road  
Plymouth PL1 3AE

Ref: SJD3/348035.134

Signed.....  
Rowe Cohen

Solicitors for the Defendant/  
Part 20 Claimant  
Quay House  
Quay Street  
Manchester M3 3JE

Ref: MDT.113969

**Claim No: HQ05X02706**

**IN THE HIGH COURT OF JUSTICE**  
**QUEEN'S BENCH DIVISION**

Master  
day the day of November 2006

**BETWEEN:**

**POST OFFICE LIMITED**  
**Claimant/Part 20 Defendant**

-and-

**LEE CASTLETON**  
**Defendant/Part 20 Claimant**

---

**DRAFT/  
TERMS OF ORDER  
BY CONSENT**

---

**Bond Pearce LLP**  
Ballard House  
West Hoe Road  
Plymouth PL1 3AE  
Ref: SJD3/348035.134

Solicitors for the Claimant/Part 20  
Defendant

*Bond Pearce*

# Telephone attendance

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Client: Royal Mail Group PLC Sub Postmaster Litigation

Matter: Mr Lee Castleton

Matter no: 348035.134

Attending:

---

Name: Stephen Dilley

Location: N/A

Date: 10 November 2006

Start time:

Units:

---

I had a telephone conversation with Mandy Talbot in relation to the draft Order that I had e-mailed to her. Basically agreeing that in paragraph 5 of the schedule, we would delete the words after the word functionality. Also agreeing with her that in relation to the e-mail that I had sent to her about the wording of the letter from Mr Castleton, we would substituted the word "losses" for the word "discrepancies". Discussing with her the problems of enforcing any Order at paragraph 5 that Richard had put in and the possible risk of going over the top ie flagging it up as an issue for Castleton. Mandy agreeing.

Time engaged: 12 minutes.



**Stephen Dilley**

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**From:** Stephen Dilley  
**Sent:** 10 November 2006 14:36  
**To:** Simon Richardson  
**Cc:** Stephen Lister; Tom Beezer; Gareth Kagan; Andrew Tobey  
**Subject:** Result - P.O -v- Castleton  
**Attachments:** eCopy scanned document.pdf

Dear Simon,

By way of update I am pleased to confirm that Mr Castleton's case has collapsed 3 weeks before trial. Under pressure from us, they have made a revised offer (copy attached) which is in principle (subject to some tweaking) acceptable to the P.O. This is an excellent outcome for the P.O because the deal is:

1. Castleton to pay debt of £25,858.95 in full plus interest at 1% above base for applicable period;
2. Castleton to pay costs on standard basis up to 26 January 2006 (21 days after the P.O's CPR part 36 offer) and indemnity basis after that date, with an initial on account payment of £30k. This is a major win as the costs are considerable.
3. Castleton to withdraw all allegations about Horizon (letter to be agreed).

Mandy is delighted. I understand she's in Soton on Monday, so timing is great.

Kind regards.

Stephen Dilley  
Solicitor  
for and on behalf of Bond Pearce LLP

DDI: [REDACTED] **GRO**

Main office phone: [REDACTED] **GRO**

Fax: [REDACTED] **GRO**

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**Stephen Dilley**

---

**From:** Stephen Dilley  
**Sent:** 10 November 2006 13:04  
**To:** 'Geoff.Porte' [GRO]  
**Cc:** 'Mike.Mason' [GRO]; Tom Beezer  
**Subject:** P.O -v- Castleton

Dear Geoff,

I refer to my earlier voice mail message.

It appears as though we have the makings of an excellent settlement, in principle, with Mr Castleton's solicitors. It is not signed up yet, but we anticipate that it will be within the next few days. Please can I therefore ask BDO to cease all work on the matter for the time being.

Please could you also give me a call to discuss? Assuming the settlement is formalised, I'd like BDO to raise a bill for all work to date, but as the P.O's costs will be assessed, the bill will need to include a full narrative and time breakdown so that we can defend it on an assessment.

Finally, please can I thank you and your team for all the work you have put into this, at short notice. It is very much appreciated.

Kind regards.

Stephen Dilley  
Solicitor  
for and on behalf of Bond Pearce LLP  
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Main office phone: + [GRO]  
Fax: + [GRO]  
[www.bondpearce.com](http://www.bondpearce.com)