

Witness Name: John Jones

Statement No.: WITN 08560100

Dated: 17th May 2023

POST OFFICE HORIZON IT INQUIRY

FIRST WITNESS STATEMENT OF JOHN JONES

I, John Jones, will say as follows:

1. I have been asked to provide a Rule 9 Witness Statement addressing the questions set out in the Annex to the Rule 9 Request sent to me on 21st April 2023.

Background

2. I was employed by the Post Office Ltd ("POL") from April 1982 to April 2019.
3. I have held a number of different roles during my time working for POL. A brief history of my career is as follows:
 - a. Between April 1982 and 1988, I was a counter clerk.
 - b. Between 1988 and 1990, I was a Visiting Officer in South Manchester.
 - c. Between 1990 and 1994, I was a Branch Manager in East Manchester.
 - d. Between 1994 and 2002, I was a Retail Network Manager.
 - e. Between 2002 and 2006, I was an Area Development Manager working on the Network Reinvention Programme.
 - f. Between 2006 and 2009, I was a Senior Account Manager for national multiple partners.
 - g. Between 2009 and 2010, I was a Project Manager in directly managed branches.

- h. Between 2010 and 2011, I was a Flagship Manager of a directly managed branch in Leeds.
 - i. Between 2011 and 2013, I was an Area Manager of directly managed branches in the North West.
 - j. Between 2013 and 2015, I was an Area Manager of directly managed branches in the North East.
 - k. Between 2015 and 2019, I was an Area Manager of directly managed and branches operated by WH Smith in the east of England and east of Scotland.
 - l. Between January and April 2019, I was a Regional Manager of the east of England.
4. I became an Appeals Manager in July 2003 after having passed the Appeals Manager course which was run by Post Office Legal Services. I remained an Appeals Manager until I left the Post Office in 2019.
5. The role of an Appeals Manager is not a permanent role. The role is conducted by senior managers who sit as part of an appeals panel in addition to their day-to-day role.
6. Appeals are allocated by the HR Service Centre. The allocation process and the way in which an appeal is conducted is intended to ensure that appeals are an independent rehearing of a case. The appeal process in general is case specific and as the vast majority of appeals are related to Post Office Ltd employees they are tailored to the nature of the appeal in question. The process entails, pre appeal enquiries to establish an understanding of the nature of the case, the appeal interview, post appeal enquiries for points raised and additional enquiries specific to the case, conclusion and summing up, the decision and finally any recommendations as necessary.
7. During my career I was allocated and heard only three appeals brought by subpostmasters, only one of these was related to the Horizon System, which was the case of Mr Castleton at Marine Drive branch. All of the appeals that I

conducted were completed according to the way in which I had been trained and followed the same format which can be summarised in the following stages:

- i. The completion of pre-appeal enquiries to fully establish all relevant aspects of the case.
- ii. The appeal hearing.
- iii. The completion of post-appeal enquiries to follow up on any points raised by the appellant's case.
- iv. A case overview and reasons for my decision.
- v. The decision.
- vi. Recommendations as necessary.

The Appeal Process in the case of Lee Castleton

8. In answering the questions about Mr Castleton's appeal, I have been referred to the agent case summary at POL00071234; this is a case file that was submitted to myself in respect of Mr Castleton's appeal by Lesley Joyce, Contracts Manager.

Initial involvement

9. In June 2004, I was allocated the appeal brought by Mr Lee Castleton, the subpostmaster at Marine Drive. My understanding of the case upon receipt of the appeals file was that Mr Castleton had experienced a series of large accounting discrepancies, transaction related issues and he believed the Horizon computer system was the sole cause of the discrepancies that he had incurred.
10. Upon receipt of the appeal file, I followed a process to ensure I have all the relevant details, documentation and full understanding of a case prior to inviting the appellant to an appeals interview. The pre appeal enquiries involved contacting the Transaction Correction Team in Chesterfield to ascertain if there were outstanding error notices or error notices in the pipeline that could explain the discrepancies, visiting the Marine Drive branch on two occasions to perform extensive analysis of the branches accounting documentation that was available

to me in order to establish arithmetical correctness of the customer transactions and analyse the cash usage patterns. I physically checked the Horizon accounts of the interim subpostmaster to ascertain and confirm that there were no discrepancies of the nature Mr Castleton had incurred. I contacted Cath Oglesby Retail Network Manager who had dismissed Mr Castleton to discuss the case and the documentation I had been provided with from Lesley Joyce.

11. The case was most unusual as I had never seen or heard of an instance where a subpostmaster or POL employee was making a claim that discrepancies were as a result of the Horizon system, nor have I heard of one since.

12. It was also unusual in that Mr Castleton appeared to dismiss out of hand that the discrepancies could be anything other than being caused by Horizon and failed to follow the advice on creating single stock units by his experienced Retail Line Manager, Cath Oglesby, which is a standard practice in such cases to identify and eliminate discrepancies as well as highlighting any potential embezzlement.

13. The appeals process followed is as I recall is detailed in points 14 to 19.

Pre-Appeal Hearing Enquiries

14. Before the appeal hearing took place, I conducted a number of enquiries. It was necessary to conduct these as part of an independent rehearing of the case. In conducting these enquiries, I was trying to find the logical cause of the discrepancies, including ensuring that there were no outstanding transactional corrections in the pipeline that could explain the discrepancies as these can take up to eight weeks to come through the system.

15. I contacted the transactional account team at Chesterfield to understand the level of error notices that the branch had incurred, and to ascertain if any error notices were in the pipeline. The purpose of this was to look at the wider picture and see if there were any error notices in the pipeline that could explain the discrepancies. I was advised that there was nothing in the pipeline for the Marine Drive branch.

16. I contacted the decision manager who was Cath Oglesby to go through the documentation I had received. This allowed me to ensure that I had a thorough understanding of the case and the associated paperwork and to understand the rationale for the decision to terminate Mr Castleton's contract.
17. Due to the nature of the case, I visited the Marine Drive branch on two occasions on the 28th June and 30th June 2004 to examine the branch's account documentation, cash declarations, the under copies that were available and to evaluate the transactional volumes that were being processed by the branch. As the documentation was in reasonable order I was able to undertake a number of tasks to manually analyse the information available to me in order to try and find a logical explanation for the discrepancies that had been incurred. This included checking the arithmetical correctness of all the transactions on the under copies and correlating these to the entries on the Horizon balances. I was able to recreate the branches accounts from the documents available as well as analyse the daily cash movements and required cash usage. I spent time at the Marine Drive branch recreating the daily and weekly accounts on a manual basis as I had no other data to work with. In 2004 I had no knowledge of Fujitsu generated Horizon branch reports, hence why I undertook the analysis manually.
18. A physical check of the Marine Drive Horizon balances in the period following Mr Castleton's suspension was undertaken to ascertain the balance position. This was essential in order to ascertain how the branch accounts were being recorded and to highlight if there were ongoing discrepancies in the accounts following Mr Castleton's suspension. There were no discrepancies of the nature that Mr Castleton experienced occurring at the branch since Mr Castleton's suspension in March 2004.
19. I checked with the National Business Support Centre (NBSC) and the Horizon System Helpline (HSH) to confirm if the checks on the Horizon integrity had been completed and to check the phone calls to ascertain if the branch had ever had to close. The Horizon System Helpline confirmed that the checks previously requested did not raise any issues on the integrity of the system. The National

Business Support Centre confirmed that there were no reported calls of the branch closing.

The Appeal Hearing

20. Mr Castleton was invited to the appeal hearing at which he was supported by Julie Langham, whom I believe to be a representative of the National Federation of Subpostmasters. The National Federation of Subpostmasters supports their members at such hearings and may make representations that they deem appropriate.

21. As far as I can recall, Mr Castleton submitted no actual specific evidence at the appeal hearing, the core of his submission as I recall centred on blaming the Horizon system and the data telephone lines for causing the cash discrepancies.

22. I do not recall any other submissions or mitigation made by Mr Castleton or Julie Langham, other than the requests by Mr Castleton to recheck the Horizon accounts from weeks 45 to 50 of the 2003/2004 financial year.

23. A note of the hearing was taken by Paula Carmichael, secretary to the regional manager, Mr David Mellows Facer.

Post Appeal Enquiries

24. Following the appeal hearing, I conducted a number of further enquiries. It was essential to undertake further enquiries to ensure every possible aspect relating to this case was explored as thoroughly as it possibly could be, given the information that I was able to access as part of the case. In 2004 I was unaware of what Fujitsu generated Horizon reports were available. All appeals are an independent rehearing of a case then I considered my post appeal enquiries necessary and appropriate to the case.

25. I made contact with the Transactional Account Team again at Chesterfield to ascertain if there were any outstanding error notices that had come to light.

Transaction corrections can often take six to eight weeks to come through the processing pipeline therefore it was prudent to revisit the Transaction Correction Team in Chesterfield to ensure there were no corrections that might explain any of the discrepancies. I was advised that there was nothing in the pipeline.

26. A check was made with the Marine Drive branch to ascertain if any discrepancies had been incurred over the intervening period, to ascertain if they were experiencing issues similar to those Mr Castleton experienced. No discrepancies of the nature that Mr Castleton had previously experienced were evident despite two separate interim subpostmasters operating the Marine Drive branch. I had previously physically checked the Horizon accounts of the interim subpostmaster on the 28th June 2004 and was advised that there were still no discrepancies occurring, through a phone call to the branch.

27. Additionally due to the unusual nature of the case and the points raised by Mr Castleton and following discussions with colleagues I sought a second opinion on the case from an independent experienced Post Office Area Manager, Anita Turner on the points Mr Castleton had raised in respect of the Horizon system balances between weeks 45 and 50 of the 2003/2004 financial year. The results of the findings were communicated to Mr Castleton on the 8th July 2004 to advise him of the findings of the analysis and confirm that the Horizon accounts for weeks 45 to 50 were deemed to be performing correctly. I received no response from Mr Castleton following my communication so I proceeded to sum up and consider all aspects of the case before arriving at my decision. In 2006 I was made aware that Mr Castleton had written to me, however he addressed all his correspondence to an address in Darlington and not to my address which was contained in all my communications to Mr Castleton, this was Calthorpe House in London. I do not recall ever receiving this correspondence.

28. I have been asked if I consider that these further enquiries were adequate in determining the cause of the shortfalls experienced by Mr Castleton. The further enquiries were necessary as part of my appeal hearing and the process to support my decision making process. Given the documentation at my disposal and the enquiries I was able to conduct, I have never been able to determine the

cause of the shortfalls experienced by Mr Castleton. It was not possible to determine from the information at my disposal if the discrepancies were caused by the Horizon system. However, my enquiries verified that all the customer transactions over the periods in question were performed correctly and accurately at the Marine Drive branch.

29. I have been asked whether I requested any Horizon data from Fujitsu, such as ARQ logs. I had no authority to access Fujitsu. I am unfamiliar with the term ARQ log or what details it can show. At the time of the appeal in 2004 I was unaware of what Fujitsu generated Horizon reports that were available, which is why I conducted manual analysis of the paperwork as part of my pre appeal enquiries.

30. At the time of the appeal I was unaware of what Horizon reports were available. In later years, I believe due to Horizon operating on a different platform after 2012, managers in the Network were able to request Credence reports from the Central Security Team based in Chesterfield. A Credence report shows the customer transaction sessions from the Horizon transactions at a branch as well as balancing and high level cash declarations.

31. Had I been aware of Credence reports and had they been available at the time of the appeal in 2004, I believe they still would not have highlighted any issues with the Horizon system; it would have only provided me with the data that I was able to verify and check manually from the Horizon under copies that I undertook in manually recreating the branch accounts.

32. I have been referred to a statement I made at page 9 of POL00071227-001 that "Mr Castleton has however failed to provide any evidence nor show any from (sic) of trend within the branch accounts that would indicate that there was a problem with the computer system." Mr Castleton could have followed the advice of his Retail Network Manager to create individual stocks, one he has sole access to and one his assistant had sole access to. Once this change had been implemented Mr Castleton could have conducted daily or multiple balance snapshots and frequent multiple cash declarations on these stock units to ascertain when discrepancies were being incurred. If there is or was an issue

then the multiple daily cash declarations would or could have highlighted such discrepancies when they started to occur which would have enabled his Retail Network Manager to take these to the Horizon System Helpline for analysis and verification.

The Appeal Decision

33. Having given careful consideration to all elements of the case and the documentation I was available to evaluate I concluded that the original decision to dismiss Mr Castleton was a sound one.

34. As I recall, the following factors were taken into consideration as part of my decision:

- a. The lack of taking any action as advised by his Retail Network Manager to create single stocks to identify if there was embezzlement taking place at the branch as well as performing frequent balance and cash declarations to identify daily or inter daily balance positions.
- b. All the customer transactions performed at the branch over the period that the discrepancies were being incurred, were performed accurately and correctly.
- c. I was able to establish that there were no error notices being or to be issued, which presented a picture that it was only the cash that was the discrepancy when the balances were performed.
- d. The cash movement analysis that I undertook indicated that excess cash was on hand, greater than was needed to fulfil the transactions.
- e. There was no evidence provided by Mr Castleton from Horizon snapshots and cash declarations that supported his claim that Horizon was at fault.
- f. Mr Castleton as I recall was extremely evasive at the appeal hearing on answering questions about the correctness of customer transactions, why the interim Postmasters had not encountered discrepancies and why he had discounted embezzlement out of hand and failed to implement the advice of his Retail Network Manager.
- g. A further check after the appeal hearing was conducted with our Transactional Account team to verify the ongoing situation at Marine Drive,

and it was established that there were no corrections in the pipeline that could explain the discrepancies.

- h. The case was submitted to an independent Area Manager, Anita Turner for a review of the case and the points made by Mr Castleton at his appeal on the Horizon accounts between weeks 45 and 50. The result of this analysis concurred that the Horizon accounts were operating correctly.
- i. In the period following Mr Castleton's suspension the accounts for the Marine Drive branch were physically examined by myself on the 28th June 2004 and although there were a number of interim Postmasters who had temporarily run the Marine Drive branch, there were no discrepancies of the nature that Mr Castleton incurred, happening at the Marine Drive branch.
- j. If there was an issue with Horizon then one would have assumed that the discrepancies incurred by Mr Castleton would have continued.

35. I concluded after carefully considering all the factors and evidence available to me at the time, that the decision taken to terminate the contract of Mr Castleton was sound and in the circumstances with no other mitigating evidence to support his claims, the correct one given the evidence available to me at that time.

36. I do not recall making any recommendations on the specifics of the case, the only recommendations I made were regarding the unusual cash acceptance practices from a local business, which was a concern. I was advised by the interim subpostmaster that a local business was leaving, on the shop's retail counter large quantities of cash amounting to many thousands of pounds in a plastic bag with a blank inpayment slip. The interim subpostmaster was expected to count the cash and process the banking transaction. As this practice was outside all of our banking acceptance guidelines I stopped the practice immediately and requested that the customer must comply with the terms of their banking contract. Additionally requested checks be made with the customer to confirm that all the cash they had left in the shop had been correctly accounted to them.

37. I have had no further involvement in Mr Castleton's case, following the communication of my appeal decision until proceedings were commenced against him by POL.

38. In terms of the support that would have been available to Mr Castleton, as he was a Postmaster and would not have been able to access any of the welfare support available to Post Office employees. I am unsure what support was available from the National Federation of Subpostmasters or if any was requested by Mr Castleton to his Retail Network Manager. I do not recall Mr Castleton raising any welfare issue to myself as part of the process.

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39. I believe Post Office Legal Services contacted me in 2006 and asked me to provide a witness statement. I had not been involved in any other proceedings against subpostmasters involving the Horizon IT system before this case.

40. My understanding of the case was that this was a private case brought by Mr Castleton against the Post Office on the integrity of the Horizon system, hence why it was taking place at the Royal Courts of Justice.

41. I have been referred to the following document at POL00069976 and asked about the individuals I had contact with during the drafting of my witness statement and the nature of any discussions I had with them. I believe that the witness statement was drafted for me, emailed to me to check and amended prior to it being signed. I do not recall any conversations with anybody regarding the case.

42. In relation to any discussions I had with counsel and POL's legal representatives about my role as a witness, this was very limited to checking my witness statement at the Post Office counsel's office in Lincoln Inn Fields, London. I do recall that it was a very quick meeting and there were no other discussions about the case. At no time was I advised about the nature of the case or of any of the claims and certainly not any counterclaims, nor what was expected of me.

43. Prior to the commencement of the case I believe I was advised that there would be a delay as Mr Castleton would be representing himself.

44. I have been referred to the document at LCAS0000945 To the best of my knowledge, I have not seen this correspondence before.

45. I have been referred to the draft report at POL00069955 To the best of my knowledge I have not seen this report before, nor have had any correspondence with its author. This document was sent to me as part of the file for the Horizon Inquiry on the 20th April 2023. Having analysed this document and based on my current knowledge of Credence reports it is clear that the author had been provided with detailed Fujitsu Horizon reports as there is both terminology and copied extracts contained within the reports, these are detailed below.

- a. 6.2.2 of the report details transaction codes, these are Fujitsu codes in Horizon.
- b. 7.1.5 of the report details Horizon user identity codes which are contained in a Credence report.
- c. 8.7.4 and 8.12.5 appear to be the extracts from a Credence report provided by Fujitsu.

46. I was not aware of the draft report and my evidence on the 12th December 2006 was based on my witness statement and the manual analysis I had undertaken.

47. I have been asked if I provided information that was incorrect at paragraph 12 of my witness statement at LCAS0000113. I cannot explain this error, I certainly did not provide information that was knowingly incorrect at paragraph 12 of my witness statement. All the figures enclosed were taken from my manual analysis of the accounts derived from the under copies and accounts at the branch and transposed onto my own spreadsheet to attempt to understand what was happening with the daily and weekly accounts at Marine Drive as part of my pre appeal enquiries. I have noted that in the draft report POL00069955 at point 2.2.1 (b) and 6.4.3 that the independent expert analysis identified that Mr Castleton's daily cash declarations might not have been accurate, if that is correct that would

potentially negate my analysis. At point 2.2.1(e) of the same report, it finds that the branch was operating with far too much cash than the branch needed, this concurs with my overall analysis.

48. I was not involved in the disclosure process during the proceedings. I attended the Royal Courts of Justice on the 12th December 2006, gave my evidence and left the court, no follow up meetings or discussions ever took place with regards to the case.

49. I have been asked for any observations I had concerning any of those involved in the litigation. I had only knowledge of Cath Oglesby Retail Network Manager attending court and did not have any discussions with anybody else that I can recall on the 12th December 2006.

50. I have been asked whether I think that anything should have been done differently in relation to how the proceedings were conducted. With hindsight, having read Mr Justice Fraser's two reports into the Contracts and Horizon trials at some point during 2021, it was stated that there is a Fujitsu report that sits underneath the basic Credence report that could identify potential issues with the operating system. Surely it would have been possible in 2006 to run this type of report for the Marine Drive branch to either confirm or refute the issues that Mr Castleton claimed was occurring in 2004.

Involvement in other civil and criminal cases

51. I was not involved in any other civil or criminal cases that are being investigated by the Inquiry. The Employment Tribunal cases brought by Post Office Ltd employees that I was involved in as both an appeals manager and a conduct code manager did not involve the Horizon system, nor its accounts.

Concerns about the Horizon IT System

52. I have been asked whether I had, or was aware of, any concerns regarding the robustness of the Horizon IT system during my time working for POL. During my

career with the Post Office I have, since the introduction of Horizon in 1999, been closely involved in the day-to-day performance and management of a wide spectrum of the Post Office Network, from agency branches operated by sole Postmasters to the National Multiple Companies that operate Post Office Branches and more recently from 2010 onwards the Directly Managed Branches.

53. At no point have I seen, nor has it been brought to my attention that I can recall, any issues that Horizon system is causing with the branch accounts. It is fair to say that the National Multiple Companies such as WH Smith, Martin McColl, The Coops, Tesco, Asda, Spar etc who operate over 2500 branches and the Directly Managed Branches who operated circa 300 of the largest branches in the country do have experienced support structures and rigorous branch controls in place to manage their branches and investigate losses as well as gains that do occur in the day to day operation of their Post Office branches.

I believe the content of this statement to be true.

Signed

GRO

Date

17th May 2023

Index to First Witness Statement of John Jones

<u>No.</u>	<u>URN</u>	<u>Document Description</u>	<u>Control Number</u>
1.	POL00071234	Agent Case Summary: Appeal against summary termination of contract, Mr Lee Castleton dated 07/06/2004	POL0067797

2.	POL00071227	Collection of key documents in relation to suspension of Mr Lee Castleton as Subpostmaster dated 23/03/2004	POL0067790
3.	POL00069976	Castleton: Email trail between Stephen Dilley and others concerning witness requirements and updates dated 28/11/2006	POL0066539
4.	LCAS0000945	Letter from Rowe Cohen to Bond Pearce enclosing the report from their expert accounting witness on a without prejudice basis (includes enclosures) dated 30/09/2005	VIS00011185
5.	POL00069955	Draft Expert Report by Geoffrey W Porter from BDO Stoy HaywardLLP in the case of Post Office v Lee Castleton dated 29/11/2006	POL0066518
6.	LCAS0000113	Second witness statement of John Jones in HQ05X02706 dated 05/10/2006	VIS00010353