

**THE POST OFFICE HORIZON IT INQUIRY**

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**FIRST WITNESS STATEMENT OF MR GORDON MARTIN**

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I, MR GORDON MARTIN WILL SAY as follows:

**INTRODUCTION**

1. I am grateful to the Chair to be invited to provide a “human impact” statement, concerning the physical, psychological, emotional, reputational and financial consequences to me and my family of being held responsible for shortfalls shown by the Horizon IT system and Post Office Limited’s actions toward me and my family. The initial paragraphs below provide a brief summary of my background, and provide context to the detail of the human impact of the Horizon scandal on me and my family. This statement does not reflect a full account of my experiences or those of my family and if necessary or required I will provide further witness statement evidence.
2. I used to live in Surrey before I joined the RAF. I was in the RAF for 9 years and when I decided to leave the RAF, I moved to Cornwall. I have been married twice; I was with my first wife for 14 years and we have one son, who currently lives in the USA.
3. I have since remarried and I am currently living with my wife in Cornwall, we have been together for 32 years. I have two step-children and four grandchildren.

#### **BACKGROUND PRIOR TO APPOINTMENT AS SPM**

4. From 1962 to 1971 I was a photographer in the RAF. Then when I left and moved to Cornwall, I worked for Rank Films between 1971 and 1973. Following this I worked for a security firm as a Security Advisor, covering the whole of the West Country, between 1973 and 1979.
5. When I left the security firm I formed an import company that brought the first desktop computers into the UK. I was the sales director, and as a result I did a lot of programming. I have knowledge of computer systems and how they operate. I ran this from 1979 to 1982 but, unfortunately, and ironically, my supplier at the time got bought out by Fujitsu so I had to move on.
6. It was at this point that I decided to go into retail. I purchased a Tandy store which sold all things electronics, and I ran this up until 2000 when Tandy were acquired. I then turned my store into a pound shop and I ran this business with my wife up until the Post Office closed me down in 2008.

#### **DECISION TO BECOME A SPM**

7. I was running two very successful Pound shops when my wife and I were first approached by Post Office Limited with regard to taking on a franchise in 2004.
8. Initially, I did not want to operate a post office. It was a Crown office, and it was much larger than a local or village branch. I already had my hands full with my retail businesses. My wife and I were working 16 hour days, and we just did not have the time for an office.
9. I recall that Post Office were very keen for us to take on the franchise because the footfall in our retail business was very high. The Post Office had even prepared cash-

flow projections for us and introduced us to their contacts at HSBC bank who came along to the initial meeting with them back in 2004.

10. Following two years of negotiation, terms were finally agreed. The deal we reached involved my wife and I opening a new post office branch at premises down the road, while major refurbishment of our building took place.
11. My Company invested around £250,000 in carrying out refurbishment works and, when the works were completed, I moved the branch into the newly renovated and refurbished building.
12. I acted as a guarantor of a P franchise at the post office, The Moor, Falmouth, Cornwall from 20 March 2006 to 8 February 2008.
13. I was also a shareholder, Director and Company Secretary of The Pound Shop (Falmouth) Limited, which operated a post office branch in its retail premises. My wife, Glynis, was also a shareholder, she was Managing Director of the company and she was also a guarantor.
14. As well as the post office branch and the pound shop, I also operated a café from the premises. I employed 11 assistants in the post office alone. Across the whole business, including the retail shops and café, I employed 24 members of staff including myself, my wife and son.

#### **TRAINING AND SUPPORT**

15. I received initial training from the Post Office. Additionally, 10 members of my staff received 5 days training at a local hotel. None of the staff (manager or assistants) received any balancing or 'end of period training' at all. It was only very basic training covering day-to-day trading transactions.
16. When the branch went live, we had training staff from Post Office staff for two weeks, but of the four trainers who came to the branch, two had sick absences with

stress after the second day because it was too much for them. Those trainers did not return for the rest of the training period.

17. We were advised by the trainers that our branch was the biggest in which they had undertaken training.

### **Helpline**

18. I contacted the Helpline at least 5 times a week. The initial response from the Helpline team was that they were unable to solve the problems. I rolled over the shortages, on the basis that the shortfalls would correct in time. I never understood how the shortfalls would be resolved, as it was never properly explained to me. In any event, the problems were never resolved and the shortfalls did not resolve themselves.

19. Rolling over was certainly the main problem we experienced. As we were a Crown Office we did not have a safe, we had a large walk in vault that was controlled and time-locked by the Post Office. The time lock activated at 8pm so when it came to balancing if we did not balance by 8pm we had no choice but to roll over because the time lock went on the vault.

20. We were controlled by the Post Office at all times.

### **Shortfalls**

21. In this section, I set out in very brief detail my experience of shortfalls arising from deficiencies in the Horizon IT System, and Post Office Limited's actions as a result. This is only a brief introduction to those matters, in order to provide necessary context for the explanation of the human impact which follows.

22. I would estimate that throughout my position in the branch, I paid or Post Office deducted a total figure of around £4,300.

23. Personally, it was not about the money, it was the fact that the Post Office would never sort out the issue that was causing the losses, and they were not prepared to even try. Also it appeared that they had no desire or means of investigating the cause of the shortfalls.
24. There were numerous small amounts that I paid, which came to around £500 in total, over the two year period. These included multiple shortfalls due to problems with the Cash Centre.
25. Our branch was quite large and very busy. We regularly took in more cash than we paid out, so we had to send money back to the Post Office often on a weekly basis. I even bought a cash counting machine because of the volumes we were regularly sending back.
26. Despite this, every week it was reported as being short. I took this up with Post Office and was assured that it was opened in the cash centre, monitored by CCTV.
27. I then started to double check the manager's count and verified it. The Cash Centre was still reporting shortages. Security at the Cash Centre said that they would do a double check, but then we heard nothing more, although the differences stopped soon thereafter. In any event, I had to make good the shortfalls from Company funds.
28. I had a shortfall of £2,000.00 at the end of the initial training period in the branch around March 2006. Nobody could find any trace of it, including the audit team.
29. I did not pay it at the time because I was adamant that it could not have been my fault. However, I was forced to repay it at a later date by the audit team. I paid this by company cheque. I also had to pay staff overtime until it was dealt with because they were not allowed to leave until the balance was completed. I entered this into the suspense account.

30. Additionally, there were often errors around foreign currency transactions. I believe that this was because Falmouth is a cruise ship port, and very regularly American tourists would come into the branch to change their dollars into pounds or euros.
31. On one occasion in or around March 2006, I recall that a trainer was with me at the time, and we were looking at the foreign currency and saw that Horizon stated that we were short of euros, by approximately £800. I repaid it using cash from the Company and I assumed that I must have made an error, but I definitely had not taken any euros. I entered it into the suspense account.
32. In or around April 2007, online currency sales were first introduced.
33. During the very first week we received an envelope containing around £1,000 of South African Rand, addressed to a customer. As we had not been given any training, the member of staff on the desk at the time handed it to the customer and we were told that it had not been paid for. There was no facility on Horizon to deal with this at the time and this was reported as a loss. I had to repay it by company cheque. I entered it into the suspense account using funds from my retail business.

#### **Audit and investigation**

34. I had four audits during my time as subpostmaster.
35. When the problems with balancing on Horizon remained unsolved, we had two visits from the audit team in or around June 2006 and February 2007. The first time they had no answers to the problems, and on the second visit we were threatened with legal action if the account was not made good.
36. At that time, auditors claimed only that the initial shortfall of £2,000 needed to be paid. Auditors told me that they would not authorise the opening of the new branch unless and until the shortfall had been made good. I felt I had no choice other than to repay it, because I had invested so much money into my new branch and I could not risk it not being able to open.

37. I had two further audit visits. One standard visit when I was not present (although I remember being told that there were no issues reported), and another regarding other issues.
38. On all occasions on which I was audited we settled the account and made good any alleged shortfalls, as the relationship with the business development managers was getting very stressful, including threats to terminate my contract.
39. The final audit took place in February 2008, following which I closed the business.
40. The auditors actually discovered there was a surplus on Horizon, but they would not tell me how much, and they demanded that they retain it in case further faults were discovered. I heard nothing about any additional faults being found but in any event no money was returned to me.
41. We were not allowed back into the premises, even though I had planned to continue operating the retail and cafe side of the business. As a result, I was not allowed to access any of my paperwork, business records, stock or fixtures and fittings which caused significant difficulties for my wife and I as well as increasing our financial loss.
42. At the time, I believed that an investigation was being conducted. I no longer think this was the case.

### **Suspension and Termination**

43. I was not formally suspended by Post Office but I was forced out of my office and premises by Post Office. After the final audit, and being forced out of my branch, the bank decided to withdraw funding.
44. I was told by the bank (HSBC) that Post Office had approached it and told that there were issues with my post office, and that we were going to lose our branch. The bank told me that this was the reason for withdrawing its support.

45. I tried to refinance the business with Lloyds. Terms were originally agreed in principle. This was ultimately unsuccessful because Lloyds discovered that Post Office had recently agreed to franchise 60 branches in WHSmith stores.
46. I was told by the bank manager at Lloyds that because Post Office had required me to bear the costs of the fit-out ourselves, Lloyds was not prepared to proceed with the refinancing deal.
47. I closed the branch in February 2008 and agreed that Post Office could appoint a third party on a temporary basis, on the understanding that I could continue to operate the retail business and cafe. However, when the branch closed I was not allowed to access the building again and therefore, I was unable to continue the retail side and cafe as had been agreed.
48. As a result, we lost the business completely. The temporary team took over everything, including the retail business and café, using fixtures and fittings belonging to my Company.
49. This continued for about 3 years, before the post office was eventually moved to another place and the building was purchased by the local council, stripped out and converted into offices.
50. Post Office wrote to me in or around June 2008 to state that my franchise had come to an end. It took three years for a new franchisee to be appointed, at which time the franchisee relocated the branch to new premises.
51. I was not told what had happened to the contents or fixtures and fittings which belonged to my company, so I had no knowledge of what had happened to them or whether they had been sold or otherwise disposed of.
52. Post Office tried to reclaim sums from me for 2 years' of insurance, and for the alarm system (which it had originally agreed to supply free of charge). Post Office sought



additional sums from me for moving a safe. I had obtained my own insurance, Post Office should not have been trying to claim insurance costs. Nevertheless, I had been declared bankrupt by this point so Post Office was not able to claim from me.

53. My wife and I had planned to sell the business, retire and move to Australia to live with our daughter. However, despite my efforts to sell the business I was not able to due to the actions of Post Office.
54. The business had been valued at £650,000. I had found a buyer two months prior to the closure but the Post Office decided to reduce the yearly salary offer from £124,000.00 to £75,000.00 to the potential buyer, and said that they would require a minimum of six months to draw up a new franchise agreement.
55. The revised proposed salary of £75,000 was not enough to cover the staff wages. I believe that Post Office knew the offered salary was not viable, as by its own records the wage bill of the branch was in excess of £100,000.00 per annum. Post Office refused to negotiate.
56. I believe the Post Office had already advised the company that eventually took over that they would run the branch, and Post Office Limited made sure that any proposed sale of our business did not hold up its plans.
57. Prior to closing the branch, I attended a meeting with my Business Development Manager. I was told that the sale of my branch and negotiations would take more than six months, by which time the franchise would have already come to an end. I believe that my plans to sell the business created a problem for the Manager, and Post Office had no interest in my proposed sale proceeding because it was a foregone conclusion that Post Office intended for a third party to be brought in.

#### **Civil and Criminal Proceedings**

58. Post Office did not pursue civil or criminal proceedings against me for recovery of the alleged shortfalls.

59. It did however, threaten me with prosecution in relation to any shortfalls and I was seriously concerned that they would take me to court and so as a result, we always paid back any shortfalls.

### **Losses**

60. I paid approximately £4,300 worth of shortfalls to Post Office.

61. I lost the value of the business plus the initial cost of the franchise £15,000 and the initial investment and refurbishment costs of £250,000.

62. Neither my wife nor I took a regular salary during our time at the branch. We drew funds of approximately £20,000 between us and we had planned to recoup our investment and make significant profit when we sold the business, which we had hoped to do after two years, because we had planned to move to Australia to retire and live with our daughter.

63. I had had the business valued at £650,000, and I had loans of £80,000. Prior to losing the branch I had agreed the sale of the business for £550,000.00, so this would have left me with £470,000.00 to use for my retirement. However, during the course of the negotiations the reduction in salary proposed by Post Office caused the sale to fall through. My wife and I were made bankrupt as a result of the actions of the Post Office.

### **HUMAN IMPACT**

64. I suffered serious problems with the Horizon system, which I reported to Post Office and sought help on.

65. Post Office auditors attended my post office but the audit team refused to investigate the shortfalls, and deferred the settlement of the shortfalls for several months, before commencing a fresh audit.
66. Post Office then made a demand for full and immediate payment, with the threat of closure if settlement was not made. A few days after this audit my bank had been informed of the situation and the bank then demanded payment of working overdraft and banking support. This led to the bankrupting of me and my wife (at the age of 64) and the loss of the business.
67. My wife and I lost everything at the age of 64. We were made bankrupt. I have been unable to find further employment since. The heavy losses we suffered also prevented my wife and me from moving to Australia to be with our daughter and grandchildren, who were in need of our support at the time.
68. As a result of all the trauma, my wife's health suffered hugely. My wife has had strokes and now is wheelchair-bound, which I attribute to the stress, loss and trauma.
69. She has recently stopped taking Morphine, for the first time in 15 years. She also suffers from fibromyalgia due to the pressure and stress she has been under as a result of the traumatic experience of the failure of the business and bankruptcy, followed by not being able to move out to Australia. This responsibility for this stress and trauma lies with Post Office.
70. Her mental health also suffered massively, she became depressed and even threatened to take her own life. As a result of the strokes, she has an exceptionally bad memory.
71. If I mention the words Post Office she immediately shuts down. She cannot bear to even think about that time in our life let alone talk about it.
72. We were left with nothing after the business closed, and we had to live off nothing for some time. The fact that my wife ended up in a wheelchair, quite frankly saved us, because it meant we received disability allowance which helped us to get by.

73. I do not really like to think about what this scandal has done to me. I feel like I have let my family down, especially my daughter, as we were meant to be living out in Australia with her by now.
74. My son, who worked for us in the business, also suffered because he lost his job and was unemployed for about 18 months.
75. My family have been very supportive through it all as they knew all the effort we put into the business but no one them fully understand what went on and the impact it has had in my because it is so complicated and so far-reaching.
76. The people who worked for us had become our friends, but Post Office divided us. I had been in business for over 30 years and never had to lay off any staff before. The temporary subpostmaster that Post Office appointed agreed to award any outstanding holiday payments due, as we had paid wages in full up to that point.
77. When we were dismissed from the building, I had no access to any accounts or payroll information as my computer and accounts were left in the building. We were not allowed to leave with anything other than our coats.
78. A few days later, the agreement was dropped and the staff were advised to sue me in the small claims court. As I had no records to call upon, the staff took the opportunity to wildly inflate their claims but thier legal claims failed.
79. As a result, we lost a lot of friends and we received several threats. Thankfully, none were ever carried out.
80. Although we did not reside in Falmouth, because of the high profile position in the community, we were known to a large number of that local population and the press had a field day when the doors were shut.
81. We were ridiculed by the local press initially when it became public knowledge that a pound shop was taking over the post office, so when the business closed down we were all over the local press again.

82. We have not been back to Falmouth since.

### **CONCLUSION**

83. Overall, the biggest impact has been on my wife's health. The tremendous amount of stress the whole experience had on her caused her to have a stroke, a heart attack and she is now wheelchair bound and requires the assistance of the mental health team.

84. We are financially unstable, living on benefits making for a difficult retirement. We live in rented accommodation because we sold our house and put all of our money into the business with the intention to retire and move to Australia to support our daughter and family and to assist with my wife's health.

85. Instead, we ended up bankrupt which destroyed all of our plans and we have missed out on watching our grandchildren grow up because of the actions of Post Office.

86. We live in a house that is not secure. The landlord is very ill and we currently live in fear that we might lose our home.

87. Being unable to sell our business that we worked so hard in and retire in Australia close to our daughter and grandchildren has been the biggest disappointment of all to both of us.

88. I never fully felt like the post office was my own, I felt more like I was just the slave picking up the cheque. The Post Office behaved as though it was still a Crown office that they were running and their communication skills were woeful.

89. It was exceptionally hard work for 2 years; I don't think I have ever worked so hard in my life. I would describe it as the hardest years of my life, and ever since we have lived day to day not knowing what tomorrow will bring.

90. I would like the Inquiry to find out who is responsible and those who are responsible should be held accountable for their actions, because they were playing people's lives and ultimately have destroyed too many lives.
91. I also think Fujitsu need to hold their hands up and take some accountability for the software they provided.
92. Most of all I would like to be reinstated financially to the position I would have been in had this not happened.

Statement of Truth

GRO

I believe the contents of this statement to be true.

Signed.....  
Gordon Ma

GRO

Dated.....

20/01/22