

Witness Name: John Breeden

Statement No.: WITN06700100

Dated: 15.5.2023

POST OFFICE HORIZON IT INQUIRY

FIRST WITNESS STATEMENT OF JOHN BREEDEN

I, John Breeden, will say as follows:

INTRODUCTION

1. This witness statement is made to assist the Post Office Horizon IT Inquiry (the "Inquiry") with the matters set out in the Rule 9 Request dated 3.4.2023 (the "Request"). I have received advice and assistance from a lawyer in the preparation of this statement.

MY PROFESSIONAL BACKGROUND

2. I am a former employee of Post Office Ltd ("POL") and was employed in a number of roles over a period of 22 years, between 6.1.1997 and 15.8.2019. I have listed these below:
 - 2.1 **Head of Management Process, Scotland and Northern Ireland region, January 1997 to September 1999.** This role involved planning, process

management and supporting the Customer First programme, a programme which introduced the principles of total quality management and continuous improvement across POL. During this period the project to introduce Horizon was underway, but I was not directly involved in the planning of this project.

- 2.2 **Head of Planning, North Territory, October 1999 to March 2002.** This role involved the development and implementation of a planning and performance management process across the territory, along with the management of projects to deliver change.
- 2.3 **Operations Manager, National Multiples Team, April 2002.** In this role I managed a team responsible for a number of "national multiple partners" across the country dealing with sales and service issues. National multiple partners are larger businesses that managed Post Offices across the country, which included TM Retail, the Co-operative Society and One Stop during my time in this role.
- 2.4 **Area Service Manager, Central Area, April 2005 to August 2006.** In this role I was responsible for the management of the subpostmaster contracts, from the subpostmaster's appointment to their leaving however this happened e.g. resignation or termination. I oversaw a team of Contract Advisors who undertook this work. There were three Area teams covering the country, North, Central and South, each with a similar structure.
- 2.5 Following a number of management restructures which occurred from 2006 onwards, my job title changed a number of times. I held the posts of National Contract Manager North from September 2006 to March 2011;

Agents Contracts Deployment Manager North April 2011 to March 2017; and Head of Agency Contracts Deployment, April 2017 to August 2019. Despite the changes in job title, the responsibilities of these roles, which related to the management of the subpostmaster contract and managing the subpostmaster's lifecycle with the business, remained similar. In addition I was involved in the appointment of temporary subpostmasters, the subpostmaster appeal process, and the development of policies and processes to be followed by the Contract teams.

- 2.6 In my last role as Head of Agency Contracts Deployment, I also had responsibility for the following:
 - 2.6.1 The Agents Application Process Team: this team processed applications from interested parties applying to be appointed as subpostmaster.
 - 2.6.2 The Support Service Team: this team investigated accounting issues that may arise with branch accounts submitted by a subpostmaster. This team would support Contract Advisors with accounting issues where an account may show a shortage.
 - 2.6.3 A Restrictions Advisor who was responsible for the restrictions policy and taking action to resolve breaches of the policy.
3. I have been asked to consider the job description for the role of Contract Advisor (POL00088804) and to explain my role in the recruitment of these members of staff.
4. Contract Advisors were responsible for appointing subpostmasters at Post Office

- branches and dealing with contractual issues that may arise. These could vary from situations where the subpostmaster is not performing to the expected standards. Examples might have included dealing with a subpostmaster subject to a complaint about the level of service provided; carrying out an investigation following a robbery or burglary where POL funds had been lost, in order to decide if the subpostmaster was liable for the loss; investigating contractual breaches; and deciding or recommending the suspension, termination or reinstatement of the subpostmaster contract.
5. Periodically a Contract Advisor could be involved in the development and review of contractual policies and processes.
 6. Should a vacancy arise for a Contract Advisor within the team, authority would be sought to recruit a replacement. If authority was provided the Human Resources process would be followed, which involved me working in conjunction with the Human Resources Advisor to advertise the role internally. The advert would detail the areas of accountability, skills and knowledge required and behavioural requirements as detailed in the job description. The advert would have a closing date.
 7. Applications received would be reviewed and, depending on the number of applications, a sifting exercise would be undertaken using a format provided by Human Resources which would score an applicant against the key requirements of the role. The sifting exercise would identify those candidates to be invited to an interview.
 8. I would propose the interview format, which was agreed with the Human Resources Advisor. I would decide the job related questions and the Human

Resources Advisor would provide questions to establish the applicant's experience against the behavioural requirements of the role.

9. At least two people would conduct the interview, of which one had to be a trained assessor. I would be one of the people involved in the interview.
10. Each candidate's performance would be assessed, documented and graded and a decision made if one was successful. The decision was made by the interviewers.
11. All candidates would receive feedback on their performance. The role would be offered to the successful candidate and a start date agreed.
12. If I was recruiting to a role which directly reported to me I would be fully involved in the process at each stage.

Appointment of Subpostmasters

13. I have been asked to consider a range of documents which relate to the appointment of subpostmasters and to describe the process for the selection and appointment of new subpostmasters (POL00088903, POL00088900, POL00005670, POL00005765, POL00005583 and POL00005776).
14. I have described the process for selection and appointment of new subpostmasters to the best of my recollection below.
15. POL had a standardised process for the selection and appointment of new subpostmasters. This process involved a number of teams:
 - 15.1 Agents Application Processing Team: this team was responsible for processing the application and providing the necessary support to the

applicant to ensure the correct information was provided to support their application.

- 15.2 Finance Team: this team would review the financial aspects of the application and the business plan provided by the applicant.
- 15.3 Contract Team: the Contract Advisor was responsible for conducting the interview with the applicant and deciding if they were to be offered the subpostmaster position. Application interviews were conducted by two people, the Contract Advisor and the Retail Network Manager. (Retail Network Managers were later called Retail Line Managers, and then Business Development Managers). When it was decided Contract Advisors should conduct interviews singlehandedly, the interviews were recorded. I believe this was from 2008.
16. There had to be a vacancy in the network of Post Office branches for an applicant to apply. Vacancies were usually advertised on a website and it was not unusual for the outgoing subpostmaster to advertise their location using a business transfer agent before tendering their resignation.
17. The Network Transformation programme was a Government funded programme aimed at transforming the network, by introducing new operating models, the Mains and Local model, which would modernise the estate of Post Office branches and be more convenient to the customer by, for example, offering longer opening hours. There was funding available for subpostmasters to update their existing locations, or the opportunity for subpostmasters to leave the network with compensation if an alternative subpostmaster could be found in their location. Whilst the application process remained largely the same throughout the

programme, I recall there were a number of differences:

- 17.1 When a vacancy arose the branch had to be "modelled" before it could be advertised, to establish which of the new models would replace the existing branch.
- 17.2 The arising vacancy would be advertised at or near the existing premises if the existing premises continued to be available for use as a Post Office branch.
- 17.3 If a subpostmaster had already advertised their business and an applicant had applied, there was a transition period during which they were allowed to continue with the traditional branch format. A deadline was set for when a completed application had to be received from the applicant, otherwise the location would be remodelled. The deadline was amended several times and Advertising Vacancies During Network Transformation (POL00005583) indicates the last deadline as 31st March 2013.
- 17.4 The programme had a Field Team who would look for a potential alternative subpostmaster(s) in a location where a subpostmaster had made it clear they wanted to leave the network.
- 17.5 The Field Team would as part of their engagement activity explain the application process and details of the contract.
- 17.6 I believe, but cannot recall exactly, that Application interviews were undertaken by Contract Advisors over the telephone.
- 17.7 The contractual document had to be signed by the applicant and countersigned by POL before the branch could be transferred to the

applicant.

- 17.8 Although there were only two new models under the programme, Mains and Locals, there were a large number of different contract variations available to reflect different scenarios that may occur e.g. where the branch converted in the existing premises, or where the branch converted in new premises.
- 17.9 Whereas the traditional contract was usually only issued to an individual, the new contracts developed to support the Network Transformation programme allowed not only individuals to apply but also partnerships and companies to operate Post Office branches. The application process had to be amended to reflect these different options.
- 17.10 The appointment of a temporary subpostmaster in a Local branch became more difficult, due to the combined retail and Post Office counter. This is because any temporary subpostmaster should have exclusive use of the premises, which was unlikely, or the configuration of the Post Office allowed for the adequate security of all cash, stock and mail items.
18. I am not sure if it was directly the result of the Network Transformation programme or some other change, but I am sure applicants for vacancies in the network had to provide an Experian report to detail their credit position.
19. In overview, the application process was:
- 19.1 An Applicant decides they want to become a subpostmaster and they make an application to POL.
- 19.2 The Applicant completed the application form, providing personal details

and a business plan covering the financial aspects of the application. The business plan would cover the applicant's proposals for operating the location (i.e. Post Office and the retail business) including details of the location, business proposition, opening hours, staffing, tenure of property, how the purchase will be financed, marketing of business, on-going running costs, repairs, and any plans for refurbishment. In addition, the applicant would provide details of their own personal expenditure and any other income to be taken into account, supported by bank statements. The last three years' trading accounts for the business should also have been supplied. The Applicant's business plan would provide a cash flow statement and profit and loss prediction. A check was undertaken to establish that the applicant was on the electoral register at the address provided and that their credit history was satisfactory, i.e. there were no county court judgments registered and that the individual had not been declared bankrupt or had a criminal record.

19.3 The application interview was conducted by a Contract Advisor. The Contract Advisor might be accompanied by a POL Sales Manager if the application was for a larger branch. The interview was recorded and the Contract Advisor provided a written rationale to support the decision.

19.4 The interview was the applicant's opportunity to present and explain their plans for the branch being applied for. The Applicant would be assessed against a range of competencies relevant to operating the branch, which included:

19.4.1 The Applicant's awareness of good customer service;

- 19.4.2 Knowledge of and understanding of the range of Post Office products and services available at the branch being applied for;
 - 19.4.3 Explaining the rationale and understanding of the business plan information and how the business would be developed;
 - 19.4.4 Understanding and experience of staff management and leadership skills;
 - 19.4.5 Knowledge of working in a regulated environment and the importance of complying with any regulatory framework;
 - 19.4.6 Understanding of the POL's Restrictions Policy and its implications;
 - 19.4.7 Awareness of what was involved in handling cash and stock and the security ramifications of this; and
 - 19.4.8 Reasons for applying for the position and plans for integrating into the local community.
20. The applicant would have to demonstrate they have the right to work in the United Kingdom and evidence of their identity.
21. From 2011 there was a policy variation that allowed nationally account-managed multiple operators to be interviewed as part of the application by telephone, provided the Applicant was either account-managed or had more than ten other branches. They also had to have been appointed to another branch in the last twelve months and there should be no issues with the branches currently run by the operator.

22. The Contract Advisor was responsible for conducting the interview and, on completion of all the interviews, would make the decision on whether to appoint an applicant or not.
23. The decision was made on a points system against a number of competencies and the Contract Advisor would also complete a rationale document detailing the reasons for the decision to offer the vacancy to the Applicant, or not as the case may be. Once completed, the information was sent over to the Agents Application Processing team to process.
24. Contractual issues, to the best of my knowledge, were discussed at interview with the applicant. Contract Advisors were provided with a checklist of contractual issues to cover at interview with the applicant. I also believe that, prior to the introduction of the checklist, applicants were provided with a copy of extracts from the contract which were discussed at interview.
25. The contractual points explained were as follows:
 - 25.1 If successful the Applicant would be entering into a contract for services with POL and would not be an employee. It would be explained that the Applicant did not have to provide service in the branch as a subpostmaster, however the Contract Advisor would try to ascertain if the Applicant intended to provide at least 18 hours service, as if they are physically present at the branch they may be eligible for holiday and sickness substitution allowances. These allowances only applied to subpostmasters operating under the subpostmaster and modified subpostmaster contract.
 - 25.2 It was a decision for the Applicant whether to employ staff to work in the branch, but the staff had to be registered and vetted by POL. The staff

employed by the subpostmaster would be employees of the subpostmaster and not POL.

- 25.3 The Applicant would be responsible for the actions of his staff, including errors they made whilst undertaking Post Office business and any loss arising in Post Office cash.
- 25.4 The Applicant would also be made aware of the Transfer of Undertakings (Protection of Employment) Regulations and the need to take advice on this matter, particularly where there were staff already working in the location that the applicant was not considering retaining. The Contract Advisor would not provide advice on this matter.
- 25.5 The responsibilities in respect of cash and stock, in that these were provided by POL and must not be used for any purposes other than Post Office business i.e. they could not be used for private purposes. Also, how the cash and stock should be kept separate from other business cash at the location and should be kept safely.
- 25.6 The responsibilities in respect of accounting, in particular the requirement to submit daily cash declarations and a full trading statement each month. Any discrepancies arising must be made good in full immediately.
- 25.7 It would also be explained that should there be a robbery or burglary where Post Office cash was taken, the subpostmaster may be liable for part or all of the loss if it was established that the security procedures were not being followed.
- 25.8 The remuneration structure would be explained.

- 25.9 POL's Restrictions policy would be explained.
- 25.10 The accounting practice for National Lottery sales and how this must be undertaken through Horizon. It was also explained that the provider of the National Lottery could remove their terminal depending on sales performance.
- 25.11 Any conditions of appointment associated with the location would be discussed.
- 25.12 Throughout the interview the Applicant would be given the opportunity to ask any questions they may have regarding the subpostmaster role.
- 25.13 The template letter 'Assessment for the Position of Subpostmaster' (POL00088900), dated August 2005 provides a brief summary of the sections of the subpostmaster contract which was used with application cases; this was sent to the applicant ahead of the interview prior to the checklist being introduced. I believe this document represents the first time the brief summary of the sections of the subpostmaster contract was incorporated into the invite to interview correspondence sent to the applicant. The document entitled 'Brief summary of certain sections of the subpostmasters contract', issued 17.12.2004 (POL00088903) is an extract from the policy document, from which the brief summary in document POL00088900 will have been taken.
26. The Contract Advisor made the decision on who to appoint to the vacancy.
27. The Agents Application Processing team would then be responsible for issuing the documentation to the successful applicant which, to the best of my

- knowledge, included an offer of appointment, any associated conditions of appointment, a copy of the contract, a remuneration/fees booklet, documents for registering staff, and a request for bank details. I cannot remember all of the documents that were sent out. There was at this point the opportunity for the applicant to review the full subpostmaster contract document before accepting their appointment.
28. In respect of consistency of selection, each month information would be provided on the number of application interviews undertaken along with details of the number of applicants who were successful/unsuccessful. These figures would be reviewed to see if any one Contract Advisor appeared to be accepting or rejecting more than their colleagues. Additionally, application files would be periodically reviewed for completeness and to check that the rationale provided by the Contract Advisor explained the decision they had taken.
29. When a subpostmaster passed away, POL would take a slightly different approach to the appointment of a new subpostmaster. On notification of death of a subpostmaster, a discussion would be held with their next of kin about maintaining service through the use of a temporary subpostmaster and then the guidance in the Death in Service policy (POL00005776) would be followed. POL's practice when a death in service occurred was to allow the branch to transfer to a family member subject to their suitability and the resolution of the deceased estate.
30. Should a family express the desire for a family member to be appointed the application process I have described above would be followed.
31. When the Network Transformation programme was implemented, the death in

service policy remained in place but a check was undertaken with the programme to see if the branch was suitable to transfer to a new model. If it was, this would be discussed with the applicant but POL would not impose a change of contract, i.e. the applicant if successful would be appointed on the traditional contract and at a later stage would be approached by the programme to discuss options available under the Network Transformation programme.

32. A temporary subpostmaster could be appointed if the substantive subpostmaster was no longer able to provide service. This could be due to their contract having come to an end with no new appointment having been made or if the existing subpostmaster has been suspended from service.
33. The outgoing/suspended subpostmaster would have to agree to the use of their premises by a temporary subpostmaster and, if this was permitted, POL would provide names of temporary subpostmasters who would be interested in operating the branch. Ideally three names would be provided. Any agreement for the use of the premises was something that would be agreed between the subpostmaster and the temporary subpostmaster and not something POL would become involved in.
34. Temporary subpostmasters came from a number of sources e.g. existing subpostmasters who wanted to take on more work and companies who specialised in providing temporary subpostmasters; the National Federation of Subpostmasters (the "NFSP") also had names of temporary subpostmasters. To be appointed, a new temporary subpostmaster would have to go through a telephone interview and there would be financial checks undertaken through the use of credit agencies and a criminal record check. If successful the applicant

would be issued with their contract which they had to sign and return.

35. The appointment of family members as a temporary subpostmaster was avoided, particularly where there had been a suspension following financial irregularities.
36. If consideration was being given to the appointment of a new company as a temporary subpostmaster and the company was less than three years old, two personal guarantors would be required to support the application. Similarly guarantors may be deemed necessary if there were concerns over the financial checks undertaken by POL on the company, irrespective of the age of the company.

Contractual Liability of Subpostmasters for Shortfalls

37. I have been asked to consider a range of documents which relate to the contractual liability subpostmasters for shortfalls, and to explain my understanding of the contractual responsibility of subpostmasters and POL's policy for dealing with shortfalls in Crown offices (POL00083939, POL00088904, POL00086845, POL00088867 and POL00030562).
38. My recollection of the contractual position of a subpostmaster was that the subpostmaster was responsible for shortfalls or losses incurred at the branch caused through his/her negligence, carelessness or error. The subpostmaster was also responsible for losses of all kinds caused by their assistants working in the branch, including managers and relief personnel employed by the subpostmaster. The contractual requirement was to make good losses without delay.
39. Should the loss be incurred through a robbery or burglary, this would be

- investigated with the subpostmaster who may be deemed liable for the loss if the prevailing security procedures had not been adhered to.
40. In addition, under certain circumstances relief may be given. I discuss this at paragraph 83 onwards.
41. Where a loss had been incurred and the reason for the loss was known and a compensating error was expected to be issued, losses could be held in the suspense account. The subpostmaster would have to have investigated the loss and know when it occurred i.e. date and have evidence of the error. Authority to hold the amount in the suspense account would be given by the Agent Debt Team. This facility was only available where there was a known error. This only applied to amounts over £150 in the Community branches and £400 in the Commercial branches. If authority was given, the loss could be held in the suspense account for up to eight weeks and be made good at this point. If the compensating error notice had not been issued by the end of the eight week period, but it had been accepted an error notice was due to be issued, the eight week period would be extended. (I understand that that timescales changed as debt policies were reviewed, e.g. in 2005 I believe the timescale was to reduce to four weeks.)
42. The policy documents were periodically reviewed and timescales for resolution will have been reviewed and possibly changed e.g. the Operating Level Agreement 2009 (POL00039089), where it mentions that the subpostmaster has seven days to contact the issuer of a transaction correction following acceptance at the branch and to challenge the evidence provided with the transaction correction.

43. If a subpostmaster was unable to show the loss was due to an error and was unable to repay the loss, the subpostmaster may claim financial hardship and authority would be sought from the Agents Debt Team to hold the amount in suspense whilst the hardship case was considered. Any claim of financial hardship had to be made within a week of the error arising.
44. I am unable to comment on how losses in Crown Offices were dealt with as I was never involved in this area of work.

My role and the policies / practices in place relating to error notices, transaction corrections, transaction acknowledgements, branch discrepancies, "corrective action" taken against SPMs and recovery of agents' debt

45. I have been asked explain my role in, and POL's policies/practices in relation to, error notices, transaction corrections, transaction acknowledgements, branch discrepancies, "corrective action" taken against subpostmasters and recovery of agents' debt.
46. The Product and Branch Accounting/Finance Service Centre were responsible for debt management within POL and they, along with the Policy team, would have responsibility for the policy documents and supporting processes. My role in relation to the formulation of policies relating to error notices, transaction corrections and branch discrepancies was to consider what was being proposed from a contractual perspective and establish any resource implications within my own team for handling what was proposed. I would provide input to the debate and suggest ideas to improve working practices. I may be tasked with providing input on specific areas, relevant to my role, e.g. the Operating Level Agreement (POL00039089) where I would have been asked to add timescales to the debt recovery process where the actions involved Contract Advisors.

47. I also did author one document, Operators In Service Debt (POL00088579). My recollection is that the reason I took on the role of author of this particular iteration of the Postmasters' In Service Debt policy was because the previous owner and author were no longer with POL and the document needed to be updated to reflect working practices.
48. I have also been asked to consider a range of policy and other documents relating to losses and the recovery of debts, and to explain what error notices, transaction corrections and transaction acknowledgements were, the circumstances in which they were issued and to describe related procedural matters (POL00083939, POL00088904, NFSP00000169, NFSP00000043, POL00085794, POL00030562, POL00083951, POL00083952, POL00039024, POL00039089, POL00113670 and POL00006011).
49. To the best of my knowledge, my recollection is as follows:
- 49.1 Error notice: an error notice detailed results of the balance along with the amount of the discrepancy to which the error notice relates. Details/evidence of the error should have accompanied the error notice, which was a paper document and was sent to the branch as a hard copy. An error notice could be for either a positive or negative amount, i.e. a gain or a loss.
- 49.2 Transaction correction: a transaction correction replaced the error notice and was sent to the branch via the Horizon system. Again the transaction correction would be accompanied by supporting evidence of the error. A transaction correction could be for either a positive or negative amount, i.e. a gain or a loss.

- 49.3 Transaction acknowledgement: I have no recollection of this terminology.
50. Neither I nor my team were involved in the issuing of error notices, transaction corrections or transaction acknowledgements, this was undertaken by the Product and Branch Accounting/Finance Service Centre.
51. On receipt of an error notice, a subpostmaster could accept and make good the loss or take out any resulting surplus. They could also challenge the error notice; I cannot remember exactly how this worked but I believe the challenge would be made through the line management structure in place in the Network Team initially.
52. On receipt of a transaction correction, the subpostmaster could either accept and make good the loss in cash (or remove excess cash in the case of a surplus), by cheque or settle centrally. A subpostmaster could challenge the transaction correction by contacting the number provided on the transaction correction, which could result in the transaction being processed. Alternatively, the subpostmaster could provide additional information challenging the original transaction correction, which might result in the Product and Branch Accounting/Finance Service Centre issuing a second transaction correction to offset the original one. Another possible outcome was that the matter would be further investigated by the Product and Branch Accounting/Finance Service Centre and, whilst this was happening, the subpostmaster would be asked to accept and settle centrally the amount. The amount would then be blocked i.e. not recovered until the investigation is finalised.
53. If a subpostmaster discovered a deficiency in the cash when balancing, I believe the subpostmaster was expected to contact the Helpline to discuss if they thought

- they should be receiving a transaction correction for the error. The Product and Branch Accounting/Finance Service Centre would contact the subpostmaster and, if it was agreed a transaction correction was due, the amount would be settled centrally until the transaction correction was issued. At this point the subpostmaster would accept the document and clear the account. If there was no evidence that a transaction correction was to be issued the debt would need to be repaid.
54. From memory, for amounts to be held in the suspense account the amount had to be over £150 for community branches and £400 for commercial branches, and this was changed to £150 for all branches for amounts to be settled centrally.
55. My attention has been drawn to evidence received by the Inquiry in relation to the IMPACT programme and a series of policy documents. I have been asked to explain the role that the local suspense account played before its removal by the IMPACT programme and the new arrangements for dealing with discrepancies that were put in place.
56. I have no recollection of the IMPACT programme. It appears to me that the local suspense account provided a facility where losses may be held pending investigation or pending the issuing of an error notice. Authority had to be gained to use this facility from, initially, the Retail Network Manager and later the National Suspense Account team. It is apparent from the documents referred to that the period amounts could be held in the local suspense was initially eight weeks and this reduced to four weeks as highlighted in the letter from Jennifer Robson, Debt Recovery Manager to Colin Baker, the NFSP general secretary at NFSP00000169.

57. My recollection was that if a Subpostmaster received a transaction correction they did not understand or wanted to challenge that their first contact point would be the number detailed on the transaction correction.
58. If an investigation was required into the error the amount would be settled centrally and the amount put on hold until the outcome of the investigation was known.
59. I believe that if a subpostmaster wanted to challenge any discrepancy or required more information about it, the Helpline was the initial contact point for this.
60. The document entitled TC/Debt Recovery Review (POL00001404) clearly states that settling centrally signifies acceptance of the debt.
61. In the document entitled Operating Level Agreement (POL00039089), there is another definition of "settled centrally". This says that "choosing the option to accept and settle centrally signifies acceptance of the loss or gain within the branch unless the dispute process is instigated. Settle Centrally does not prohibit further investigation which might offset all or part of the loss/gain accepted earlier but this is the branch's responsibility to initiate".
62. This is not an area I am familiar with but I believe the Product and Branch Accounting/Finance Service Centre could in some way mark disputed and undisputed debt. If a subpostmaster disputed the debt and Product and Branch Accounting/Finance Service Centre were investigating the matter, the subpostmaster would normally be provided with a reference number and their account noted accordingly until the matter is resolved.
63. I was aware that when there was a disputed amount, a subpostmaster had to

settle centrally this amount. I believe this was required in order to balance the branch and for the branch to move into the next trading period. I do not feel able to comment on how satisfactory this was as it appeared to be part of the design of the system, but I do understand how this may be viewed in respect of the definition of settle centrally i.e. it signifies acceptance of the debt.

64. I would agree that the process for challenging transaction corrections indicates that the loss had been caused by human error or wrongdoing on the part of those working in the branch unless it was proved otherwise. Throughout my work with POL I had no reason to doubt the Horizon system and worked on the basis that the information generated by the system was correct and accurate.

Corrective Action Taken Against Subpostmasters

65. I have been asked to consider the memo dated 15 February 2006 entitled "Corrective Action for agents – Process, Timescales and Letters" (POL00083945) and to explain certain provisions relating to "corrective action" that might be taken against subpostmasters.
66. The memo indicates new standards for sales and service had been launched to clarify POL's expectations of its subpostmasters and their staff. The document recognises that most subpostmasters have committed to these standards but some have not, and the intention was to help those who have not by providing support to improve their performance.
67. Initially it would be the responsibility of the Sales Manager to identify performance issues and put in place appropriate actions to address these issues. This would be done in conjunction with the subpostmaster.

68. The case would be referred to a Contract Advisor if these actions failed to have the desired impact. The Contract Advisor would establish what had been done and what improvements had occurred. In respect of the question raised about error notices, reference could be made to the Product and Branch Accounting/Finance Service Centre to establish the level of error notices, if they related to a specific product, what training had been provided initially to the subpostmaster and if any additional training had been provided to address the issue. The Contract Advisor could have a performance discussion with the subpostmaster to establish what the operational issues were at the branch and then agree a course of action to address them.
69. The ultimate aim was to correct performance.
70. I do not believe an assumption was made that if a subpostmaster was receiving frequent transaction corrections it was because they had not embraced the changes and challenges the business faced. Support could be provided through additional training and coaching; the NFSP might have been able to assist the subpostmaster or a local subpostmaster might have offered to assist. The key to identifying the right support is to understand the root cause of why frequent transaction corrections were being received.
71. Examples of material breaches that may lead to precautionary suspension and summary termination in the absence of evidence of dishonesty were failures to:
- 71.1 comply with prevailing legislation that impact on the operation of the branch e.g. Equality Act, Data Protection, Money Laundering legislation;
 - 71.2 register staff working in the Post Office;

- 71.3 safeguard the mail in accordance with the mails integrity requirements;
 - 71.4 comply with security procedures;
 - 71.5 maintain the premises to the required standards and/or failing to have a valid interest in the property;
 - 71.6 meet the required standards of service i.e. excessive complaints received, not adhering to contracted opening hours, or selling products in breach of POL's Restrictions Policy;
 - 71.7 maintain the Post Office accounts in the prescribed order or failing to make good debt that is outstanding;
 - 71.8 comply with legislation and being convicted of a criminal offence; and
 - 71.9 remain financially solvent and notification being received to this effect.
72. I did not have any involvement in corrective action taken against employees working in Crown Offices where accounting errors or losses were identified.
73. At paragraphs 102 onwards I set out the details of the process followed by Contract Advisors following the identification of an audit discrepancy.

Recovery of Agents Debt

74. I have been asked to consider a series of documents which touch on the issue of the recovery of debts, to explain my role in the formulation of POL's policy and guidance on this matter and the process of making decisions to recover debt, grant relief and write off debt (POL00083939, POL00088656, POL00105418, POL00105417, POL00084977, POL00086338, POL00084995, POL00088897, POL00002086, POL00113670, POL00086868, POL00088579, POL00087470,

POL00088312, POL00087471 and POL00088578).

75. My role in relation to the formulation of policies and guidance to the recovery of current and former agents' debt was to consider what was being proposed from a contractual perspective, providing input to the debate and suggestions to improve existing working practices and assess the resourcing impact of any proposals on my team. The policy documents were usually owned by the Policy Team or the appropriate functional team (with debt, this may have been representatives from the Product and Branch Accounting/Financial Service Centre). The development of the policies was usually undertaken by a cross functional team i.e. key stakeholders.
76. When considering the contractual perspective, one of my aims was to ensure that every debt issue did not become a contractual issue until the appropriate intervention(s) had been undertaken by the other teams involved in the debt recovery process. I considered debt recovery as a contractual issue once all other avenues had been explored and completed.
77. As I mentioned in paragraph 47, I did author the Operators in Service Debt policy document (POL00088579).
78. Debt issues arising following the subpostmaster's use of the settled centrally function would be referred to a Contract Advisor where:
- 78.1 the Product and Branch Accounting/Financial Service Centre were unable to gain agreement to the repayment of the debt;
 - 78.2 there was a repayment plan in place already to repay debt;
 - 78.3 it was less than twelve months since the last plan was repaid; or

- 78.4 a request was made to repay debt by a repayment plan but the duration of the plan was to be longer than twelve months.
79. The Contract Advisor would be responsible for contacting the subpostmaster to understand why the debt was not to be repaid and ultimately work to identify a solution to resolve the situation e.g. if there was still a debt being disputed, this would be referred back to Product and Branch Accounting/Financial Service Centre for more information.
80. The Contract Advisor would also be responsible for dealing with cases where the subpostmaster had previously had a repayment plan in the last twelve months and was required to ask for repayment in full. This was not always practical and there may have instances where a new repayment plan would have to be arranged. The Contract Advisor was responsible for assessing the financial position of the subpostmaster to establish if there are any financial issues.
81. If the subpostmaster asked for a repayment plan of longer than twelve months duration this would be discussed with the Contract Advisor's line manager to obtain their agreement to the proposed repayment plan.
82. The Contract Advisor was responsible for agreeing the terms of a repayment plan.
83. The circumstances in which relief could be granted from accounting losses and/or debt are as follows:
- 83.1 A newly appointed subpostmaster was usually supported by a trainer in their first six weeks of running the branch. Consideration would be given to the newly appointed subpostmaster's performance, the branch and

staffing arrangements and the trainer's observations of competency. The loss should have been investigated when it occurred;

- 83.2 Transaction correction issued where the evidence of the error is not conclusive;
 - 83.3 Error notices issued where the evidence of the error is not conclusive;
 - 83.4 Robbery or burglary losses where there was no/partial evidence of a lapse in following the security procedures by the subpostmaster or a member of staff that has directly contributed to the loss;
 - 83.5 Subpostmaster was taken ill suddenly; and
 - 83.6 Subpostmaster was experiencing financial hardship i.e. where consideration was given to the level of remuneration received against the size of the debt and the overall finances of the business. Repayment options would be considered e.g. repayment plan or, exceptionally, a write off of some/all of the debt.
84. In the case of subpostmasters who were ill, it is my recollection that long term health issues would have been considered in any decision to grant relief or write off debt, but the subpostmaster's health would also have triggered conversations between POL and the subpostmaster on the best way to take the business forward, including a discussion around options such as resignation, or suspending the submaster's contract and appointing a temporary subpostmaster for a period. Each case was taken on its merits and considered individually.
85. A subpostmaster's length of service was also a factor which was taken into account when deciding whether to provide relief.

86. Any relief provided would be based on the details of the particular incident that occurred.
87. Relief could only be authorised by certain individuals, as set out in the policies e.g. POL00087252 (Branch write-off process); POL00088579 (Operators in Service Debt) and POL00088904 (Losses and Gains Policy within the POCL Agency Network). These policies also specified the level of authority individuals had in respect of the amount involved.
88. I am unable to answer the question of how many times subpostmaster debt was written off by POL. For example, where the decision on a robbery or burglary incident was to not hold the subpostmaster liable in full or in part following an investigation into the case, a write off document would be prepared by the Contract Advisor dealing with the case and sent to Product and Branch Accounting/the Finance Service Centre.
89. From my own perspective if I wrote off any debt I would keep a record of this locally if required for budgetary purposes. I have no recollection of the number of cases but believe this to be small.
90. I have reflected on whether I noticed any increase in subpostmaster losses or an increase in the number of write offs agreed following the introduction of Horizon. I don't recall an increase in losses following the introduction of Horizon, but once the reliability of the system began to be questioned I recall that there were more cases where Horizon was blamed for the loss, and that this was cited as a way to challenge debts. I don't recall that there was an increase in write offs by my team. I should stress that I would not have had a complete picture from which to make a detailed assessment of this: my team would only have got involved in

cases where a subpostmaster refused to pay a debt. The team who would have seen the whole picture on a daily basis was the Product and Branch Accounting/Finance Service Centre.

Suspension and Termination

91. I have been asked to explain my role in the formulation of POL's policy and practice relating to suspensions, terminations and the appeals process.
92. In all the roles I had from 2006 I was responsible for deploying the processes related to suspensions and terminations and the appeal process. The preparation of the policies and processes to be followed was undertaken by a Policy Team, usually with input from those who deployed the policies and processes.
93. Suspensions and terminations were undertaken directly by me/my team whereas appeals were referred to an Appeal Authority for allocation to a group of managers who had been trained to hear appeals. To be an Appeal Manager you had to be a senior manager and to be allocated an appeal you would have had no previous knowledge of or involvement in the case.
94. The main change to the policy and processes came about with the introduction of the Network Transformation programme.
95. The new contractual agreements issued under the programme removed the opportunity to appeal against an immediate termination that had been available in the traditional subpostmasters contract.
96. Where a subpostmaster had their contract terminated or resigned to avoid termination (under the traditional subpostmaster contract), the resulting vacancy in the branch network would have to be modelled by the Network Transformation

programme to establish how the vacancy was to be advertised i.e. as either a Main or Local formal. The document 'Process and Policy Amendments to ACC 12/2009' (POL00086005) dated 2011 refers to this and also makes reference to an earlier document dated 2009.

97. In 2011 where there was an audit loss reported to a Contract Advisor, the 'Record of Suspension Decision' document had to be completed detailing the rationale for the decision made i.e. whether to suspend or not.
98. If following a suspension the decision was made to reinstate the subpostmaster, the decision proposed and documented by the Contract Advisor had to be agreed by me or my counterpart who led the Agents Contracts Deployment Team in the South. If the decision was made to terminate this was also documented and agreed by me or my counterpart who led the Agents Contracts Deployment Team in the South. If there were any changes to the proposed termination decision these had to be recorded.
99. Prior to 2014 the decision to suspend a subpostmaster's contract rested with the Contract Advisor, however from 2014 this changed and the decision to suspend rested with me or my counterpart who led to Agents Contracts Deployment Team in the South. This change introduced a two-tier system whereby the Contract Advisor would recommend a course of action for consideration and approval, or not, by their team leader. This approach applied not only to the suspension decision, but also the final decision on the case, i.e. whether to terminate or reinstate the subpostmaster.
100. I was not involved in the development of the Postmaster Contract Termination Policy dated 2020 (POL00088890) or the Termination Decision Review Policy

dated March 2021 (POL00000325) as I had left POL by this time. Whilst the document is not dated, I do not recognise Postmaster Guide to Policies (POL00088891) and believe this has been developed when I had left POL. As such I am not able to make any comment on these documents.

101. I have also been asked to consider a range of policy and other documents relating to the management, suspension and termination of subpostmaster contracts and the process for appealing decisions, and to explain aspects of the process and how decisions were made (POL00088890, POL00088891, POL00084993, POL00086044, POL00089004, POL00084002, POL00005856, POL00005962, POL00086107, POL00085448, POL00086005, POL00086080, POL00086081, POL00086828, POL00086704, POL00087258, POL00087259, POL00086116, POL00086772, POL00086865, POL00087287, POL00087286, POL00087287, POL00087291, POL00087292, POL00087288, and POL00000325).

102. When a shortage was identified at an audit, the lead auditor would telephone the Contract Advisor to discuss the audit findings. The Contract Advisor would speak to the subpostmaster to establish the reasons for the shortage and might also, where appropriate, have contacted other teams. The Contract Advisor would gather as much information as possible.

103. Factors considered would include the following (this is not a definitive list):

103.1 Risk to POL funds, brand and reputation;

103.2 Source of risk i.e. subpostmaster or the staff employed at the branch;

103.3 Impact of suspension on customers and clients;

103.4 Whether there were any other parties other than POL who are impacted

by the loss incurred;

103.5 Co-operation of the subpostmaster at the time of the audit and subsequently;

103.6 Any relevant information provided by the subpostmaster following discovery of the loss;

103.7 Level of loss identified at the audit, and the subpostmaster's ability to make good the loss;

103.8 The subpostmaster performance; recent balance results; any balancing and/or debt issues (i.e. any settled centrally debt); whether training had been provided;

103.9 The Auditor's opinion;

103.10 What breaches of contract may have occurred; and

103.11 The subpostmaster's length of service.

104. In respect of an audit shortage, the decision to suspend had to be made quickly on the day of the audit as the Audit Team would have been waiting at the branch for the decision and the branch would have been closed to the public. If the decision was to suspend, the cash and stock on site had to be secured by the Audit Team.

105. The Contract Advisor would then assess the facts and make a recommendation as to whether to suspend the subpostmaster's contract. The recommendation would be documented and discussed with me and I would decide whether to suspend or not. (Initially it is likely a conversation would be had by telephone and

- then followed up with the documentation for my agreement.) If I was unavailable the Contract Advisor would contact one of my delegates i.e. line manager, or the team leader of the South team who was authorised to make the decision on my behalf.
106. The decision to suspend a subpostmaster or not was based on the discussion held by me with the Contract Advisor. The Contract Advisor was responsible for gathering all the information on the case ahead of this discussion (as I have detailed in paragraph 103). Other teams would be contacted as appropriate e.g. if there was an issue with debt, the Product and Branch Accounting/Finance Service Centre or the Security Team would be contacted to establish if there was work they were undertaking relating to the branch.
107. The decision to suspend or not is communicated by the Contract Advisor to the subpostmaster by telephone and this would be followed up by letter when the subpostmaster was suspended.
108. Under the traditional subpostmasters contract, when a subpostmaster had been suspended they were offered the opportunity to either attend a meeting with the Contract Advisor dealing with the case (known as a "reasons to urge" meeting) or provide a written submission to put forward their explanation of what had happened and any mitigating circumstances. The content of any meeting/written submission provided would be taken into account when making the decision on the case, as would any further investigation required by the Contract Advisor resulting from the meeting/written submission.
109. The subpostmaster could be supported at this meeting by either, another subpostmaster, a registered assistant, an employee of POL or a representative

- from the NFSP. Anyone supporting the subpostmaster had to be over the age of 18 and should not have been involved in the investigation.
110. Under the Network Transformation contract the Contract Advisor dealing with the case would have been able to request an informal meeting or telephone call with the subpostmaster to allow the subpostmaster the opportunity to provide an explanation of what had happened and any mitigating circumstances.
111. Once the case had been investigated by the Contract Advisor a decision was made on the subpostmaster's contract. As with the decision to suspend, the Contract Advisor would compile all the evidence and present a recommendation to me or my counterpart who led the South team, which we would review before making a decision either to terminate the contract or reinstate the suspended subpostmaster's contract with conditions.
112. Whilst the subpostmaster was suspended POL would suspend the remuneration/fees payment. If the suspended subpostmaster agreed to the appointment of the temporary subpostmaster to operate the Post Office, the remuneration that would have been paid to the suspended subpostmaster was paid to the temporary subpostmaster.
113. The temporary subpostmaster may have paid the suspended Subpostmaster for the use of the Post Office premises (i.e. a contribution towards rent and utility costs) but this was something that was agreed between the two parties and did not involve POL. If the suspended subpostmaster did not agree to a temporary subpostmaster operating from the premises, remuneration was suspended as no Post Office business was being undertaken in the location.
114. In the Main Network Transformation contract the subpostmaster was obliged to

agree to the appointment of the temporary subpostmaster and the contract detailed a revenue sharing model whereby the suspended subpostmaster received 20% of the remuneration/fees earned. The temporary subpostmaster received the balance of the remuneration/fees.

115. The appointment of a temporary subpostmaster was subject to the agreement of the suspended subpostmaster, irrespective of the content of the contract.
116. If the decision was made to reinstate a suspended subpostmaster, POL would consider whether to pay the subpostmaster any of the remuneration/fees not received over the period of suspension. The payment would generally be made if the decision to suspend initially was incorrect, i.e. there were no contractual grounds on which to suspend the subpostmaster.
117. Prior to 2014, the Contract Advisor was responsible for making the decision to terminate/reinstate a subpostmaster's contract. After this date the responsibility was mine or my counterpart who led the Contract Team in the south of the country.
118. In handling a suspension case, the Contract Advisor was responsible for completing the steps in the process (e.g. arranging the reasons to urge meeting etc.) and once the investigation had been completed they had to prepare a decision-making document. They would provide a commentary on what had happened in the case, the investigations undertaken and the decision to be made in the case and why other decisions had been excluded.
119. Details covered in a decision document could include:

119.1 Details of the subpostmaster, when appointed, branch address,

remuneration/fees, training received, intervention activities, details of any previous issues at the branch e.g. warnings issued;

119.2 What had happened on the day of the audit to lead to the suspension;

119.3 Which part of the subpostmaster contract had been breached and the evidence to support the breach;

119.4 If the subpostmaster had been suspended previously for a similar offence/any offence;

119.5 If there was manipulation of the accounts to cover the loss;

119.6 If POL funds had been used by the subpostmaster for other than Post Office business;

119.7 If the subpostmaster had made any admissions or accepted responsibility for the loss;

119.8 The subpostmaster's overall performance e.g. evidence of previous issues;

119.9 What action the subpostmaster had taken to resolve the issue prior to the loss being identified e.g. contacting the Helpline to report the issue;

119.10 If the subpostmaster was involved in running the branch or was an absentee;

119.11 If staff had been correctly registered and if there was any evidence of Horizon password sharing;

119.12 If the subpostmaster had been suffering ill health, or was acting under

some form of duress or threat;

119.13 The subpostmaster's behaviour was out of character compared with the track record Post Office could see of the individual;

119.14 If the subpostmaster was sorry for his actions and was able to explain how a reoccurrence will be avoided; and

119.15 Details of investigations.

120. This is not to be viewed as a definitive list but an indication of what was covered. Depending on the nature of the case other factors could be considered, e.g. if the subpostmaster was bankrupt and documentation had been provided to confirm this.

121. As part of the investigation other teams would be consulted with as necessary.

122. As part of my review of the decision document I would have a conversation with the Contract Advisor if there were any points that were not clear to me or required further investigation.

123. I could discuss a case with any number of personnel within POL e.g. my line manager, the Security team, or Legal Services, depending upon the facts of the case.

124. In reviewing a case I would be assessing the materiality of the contract breach(es) and assessing the risk to POL assets and reputation.

125. The decision to reinstate a subpostmaster's contract following suspension was communicated to the subpostmaster in writing along with any supporting conditions that may apply e.g. additional training and support, repayment of any

loss. A date would be arranged to transfer the branch back to the subpostmaster; this may have involved another audit if a temporary subpostmaster had been operating the branch, or the return of cash and stock that may have been removed from the branch and held securely. Once a date had been agreed for transferring back the branch to the subpostmaster, the Field team would attend the branch to facilitate the transfer and get the branch operational.

126. Typical situations where a subpostmaster's contract would be terminated without notice include the following:

126.1 The subpostmaster had used POL cash and stock for his own purposes, attempting to cover the shortage and/or acting dishonestly;

126.2 The subpostmaster was unable or unwilling to repay money owed to POL or maintain the accounts in the prescribed format;

126.3 The subpostmaster had been declared bankrupt or insolvent;

126.4 The subpostmaster did not hold a valid property interest for the premises where the Post Office operated, or was not maintaining the premises to the required standards;

126.5 The subpostmaster had a criminal conviction;

126.6 The subpostmaster was not operating the branch to the required standards e.g. not accounting for transactions correctly or selling products in breach of POL's Restrictions Policy;

126.7 Failure to register staff working in the Post Office;

126.8 Failure to comply with prevailing legislation the impact on the operation of

the branch e.g. Equality Act, Data Protection, Money Laundering legislation;

126.9 Failure to safeguard mail in accordance with the mails integrity requirements; and

126.10 Failure to comply with security procedures.

127. There was no appeal against the decision to suspend a subpostmaster. However where a precautionary suspension had been enacted, the Contract Advisor could, if something came to light immediately, overturn the decision to suspend. This would be agreed in conjunction with the Contract Advisor's line manager.

128. Where a subpostmaster's contract was terminated without notice under the traditional contract, the subpostmaster had the right to appeal this decision. This right was not available in the Network Transformation contracts.

129. The decision letter sent to the terminated subpostmaster would notify them of their right to appeal and they were given a timescale of ten working days in which to respond should they wish to take up this option. I believe the terminated subpostmaster was also required to state their grounds for appeal.

130. On being notified that a subpostmaster wanted to appeal, this would be notified to the Appeals Authority who would allocate the case to an Appeals Manager. An Appeals Manager was a senior manager who had been trained to hear appeals. The Appeals Manager allocated the case would have had no prior knowledge or involvement in the case and their role was to fully review the case and the case papers provided by the Contract Advisor.

131. The Appeal Manager would contact the subpostmaster to explain their role and

offer the opportunity of either a meeting or the provision of a written submission. If a meeting was selected the subpostmaster could be accompanied at this meeting, much the same as for a reasons to urge meeting.

132. The Appeal Manager would conduct the meeting and undertake any further investigations deemed necessary.
133. The Appeal Manager would decide, based on the work undertaken, whether the original penalty to terminate the subpostmaster's contract was correct or whether the penalty should be reduced or increased. This would be done based on the evidence of the materiality of the contract breaches and an assessment of risk to POL's assets and reputation. The Appeal Manager would prepare a decision document, detailing the reasons for the decision and why other options had been excluded and communicate their decision to the subpostmaster. The Appeal Manager's decision was final.
134. The Appeal Manager would return all the paperwork and would include any improvement opportunities identified in handling the case which were to be discussed with the Contract Advisor.
135. The appeal process was not part of the Network Transformation contract. It was for this reason that a two-tier decision making process was introduced whereby a Contracts Advisor would recommend a course of action and I, or my counterpart in the South area, would review the case and make the decision.
136. An Appeal Manager would consider all of the documentation provided by the Contract Advisor i.e. all correspondence, all investigation material and the decision document. The Appeal Manager could also undertake further investigations as deemed necessary to make a decision on the case.

137. When a subpostmaster indicated they wanted to appeal against the decision to terminate their contract they were allowed to make representations as part of the appeal process.
138. The Appeal Manager would contact the subpostmaster to explain their role and offer the opportunity of either a meeting or the provision of a written submission. If a meeting was selected the subpostmaster could be accompanied at this meeting much the same as for a reasons to urge meeting.
139. As I explained above, the Network Transformation programme introduced two new operating models which would modernise the estate of Post Office branches i.e. the Main and the Local models. It was recognised that not all Post Office branches would be able to convert to either the Mains or Local model so the traditional contract remained in place but the number of branches operating under the contract would reduce considerably.
140. I believe the reason for the change was to modernise the estate and also reduce costs, in that the new models' fees structure was different to that of the traditional contract: a subpostmaster was only paid for Post Office business actually transacted under the new models. Additionally I believe there was a desire for the contracts to be more commercial (similar to other franchise-based models in the marketplace) and to be updated, as the traditional contract originated from the 1990s.
141. The changes that I recall were:
- 141.1 The subpostmaster was paid only for Post Office business transacted;
 - 141.2 Subpostmaster allowances for sick and holiday substitution were removed;

- 141.3 POL could contract not only with individuals but also partnerships and companies;
- 141.4 The reasons why contracts could be terminated became more explicit, e.g. bankruptcy/insolvency, valid property interest were explicitly mentioned;
- 141.5 The subpostmaster had no right of appeal against a termination decision;
- 141.6 When the subpostmaster was suspended a reasons to urge meeting was no longer available, instead the subpostmaster could have an informal conversation with the Contract Advisor which allowed the subpostmaster the opportunity to provide an explanation of what happened and any mitigating circumstances;
- 141.7 Written warnings were replaced by remedy letters to address breaches of contract;
- 141.8 "Suspended termination" was introduced as a decision option following a precautionary suspension i.e. termination would be suspended for twelve month period; and
- 141.9 A subpostmaster operating under the new model contracts could not resign to avoid termination, as had been possible with the traditional contract.
142. On appeal the Appeal Manager's decision was final and this was the end of the POL process for dealing with conduct cases.
143. The policies for dealing with suspension and terminations were owned by the Policy team. I may have been asked to attend meetings to discuss these policies,

provide input to the documents and review drafts of documents. The ultimate sign off of the documents rested with the Policy team. In certain circumstances I may have arranged for work to be undertaken by members of the Contract Team in conjunction with the Policy Team to prepare supporting process documents for use by Contract Advisors e.g. Managing Shortages at Audit (POL00087291).

144. In respect of Appeals I believe I may have been involved in the preparation of the Subpostmaster Appeals Panel Process document (POL00005962). To the best of my recollection this was an update to the document to reflect a change in responsibilities e.g. when the Contract Admin Team were made responsible for allocating appeal cases.

Civil and criminal cases against subpostmasters

145. My attention has been drawn to a list of names of individuals who were the subject of criminal proceedings, and I am asked to set out what if anything I can recall about them and describe any role I played in any prosecutions which I consider to be relevant to the matters being investigated by the Inquiry.

146. My recollection of the criminal cases was as follows:

146.1 I have no recollection of the cases of Nichola Arch, Susan Hazzleton, Lisa Brennan, David Yates, Carl Page, David Blakey, Oyeteju Adedayo, Janet Skinner, Julian Wilson, Alison Henderson, Joan Bailey, Lynette Hutchings, Suzanne Palmer or Pauline Stonehouse.

146.2 My recollection of Tahir Mahmood's case is limited to what is set out in the supporting documents (POL00019365 and POL00019940); this appears to have been a 'whistleblowing' case where the subpostmaster

was found to be using Post Office funds for purposes other than Post Office business.

146.3 I have no recollection of his criminal case but I recognise the name Hughie Thomas. I cannot recall why for sure, it may be that the case received media coverage at some point.

146.4 I am familiar with Jo Hamilton's name, primarily because I believe she was one of the six participants in the Group Litigation hearing in 2018. I did not work on or deal with her case.

146.5 Susan Rudkin's surname is one I recall, but this is likely because I would have dealt with Mr Rudkin as the subpostmaster. I knew of Mr Rudkin as I had met him on several occasions at NFSP meetings in the Midlands, where he was a member. POL00045263 (an undated extract from an email I sent confirming a decision on an appeal that I made) refers to a robbery incident where Mr Rudkin, the subpostmaster at Ibstock Post Office, had been found culpable for the loss, and the case was referred to me as an Appeals Manager and this document reflects my decision. This email does not refer to Mrs Rudkin by name, but the reason for my recalling this case in particular is that the Contract Advisor who made the original decision thought my decision was wrong. I cannot recall how further debt occurred at the branch which led to Mrs Rudkin appearing in court and vaguely remember, after reading the supporting documents, the arrangements that were put in place. I do not recall the outcome.

146.6 Other than what I have gleaned from the information provided in the supporting documents, I have no recollection of this cases relating to Peter

Holmes (POL00054555, POL00054543 and POL00054555), Alison Hall (POL00090846, POL00090859 and POL00090846), Grant Allen (POL00089051, POL00089258, POL00089196, POL00089196, POL00089484 and POL00089256), Khayyam Ishaq (POL00046250, POL00044025 and POL00060403) or Angela Sefton/Ann Neild (POL00043987, POL00044006, POL00044025 and POL00044168).

146.7 Seema Misra's name is familiar to me as I believe there has been a lot of media attention regarding this case. I have no recollection of the case details.

147. All of the cases I was involved with were dealt with as civil matters; I was not involved in any prosecutions.

148. In respect of the Horizon system, neither I or my team were involved with the operating system or any issues that may have arisen with the system.

149. From the start of Horizon being called into question, and with the establishment of the Justice for Subpostmasters Alliance group, POL continued to advise all staff of the robustness of the Horizon system and how many transactions were completed by the system. I had no reason to doubt whether this information was correct.

150. Whilst having no involvement in any prosecutions, those criminal cases listed where I have indicated recognition of a name may be due to the subpostmasters having had their contracts determined by the contract team.

151. My attention has also been drawn to a list of names of individuals who were the subject of civil proceedings, and I am asked to set out what if anything I can recall

about them and describe any role I played in any prosecutions which I consider to be relevant to the matters being investigated by the Inquiry.

152. My recollection of these cases is limited, but I have sought to set out below those details I am able to recall:

152.1 I am not familiar with the names Aslam Ramtoola Anonymity Order, Kevin Palmer, Rachel Williams, Susan McKnight, Tracey Etheridge, Lee Castleton or Julie Wolstenholme.

152.2 Having looked at the information relating to Frank Holt's case (POL00069237, POL00069239, POL00073447, POL00075288, POL00075284, POL00073451, POL00075569 and POL00076025) I can see that there was a shortage identified at an audit in June 2012 which led to the subpostmaster being suspended. However when further information came to light on the day of the audit, this decision was reversed. It appears that the Audit team identified stock that had not properly been accounted for which reduced the loss. Following the second audit in 2014 resulting in the subpostmaster being suspended, it appears representations were made by the subpostmaster and his daughter that Horizon was at fault, and this appears to be why this case was raised with other parties within POL.

152.3 Other than what I have gleaned from the information provided in the supporting documents (POL00074571 and POL00078652) I have no recollection of Katherine McAlerney's case. I can however confirm that, as I stated in my email to Suzanne Winter on 11.12.2007 (POL00074571), I was not an expert in the interpretation of the spreadsheets of figures that

could be generated by different teams in POL to demonstrate accounting issues and I needed these to be explained to me by staff with more knowledge of these matters.

152.4 Other than what I have gleaned from the information provided in the supporting documents (POL00069324, POL00073042, POL00073039 and POL00073469) I have no recollection of Keith Macaldowie's case. It appears that, following the precautionary suspension of the subpostmaster following an audit which identified a shortage, the case was concluded by issuing three months' notice to the subpostmaster as he was **GRO** **GRO** which could have been a contributory factor to the loss occurring. It looks like Mrs Macaldowie was appointed subpostmaster and she looked to leave under the Network Transformation programme and there was an issue raised about the leaving payment due to Mrs Macaldowie's length of service.

153. I do not believe there are any civil actions that I was involved in that are relevant to the matters being investigated by the Inquiry.

154. Whilst I cannot remember all the cases I was involved in, having reflected on the details that I have been able to recall, and having reviewed some of the background information, I feel confident in saying that each case was dealt with to the best of my and my team's ability, taking account of the information available to us at the time. There was never any indication of issues with the Horizon system and throughout POL continued to advise all staff of the robustness of the Horizon system and how many transactions were completed by the system. I had no reason to doubt this was correct.

Knowledge of Bugs, Errors and Defects in the Horizon System

155. I am asked to consider some email correspondence (POL00096926 and POL00088957) and to describe whether I had, or was aware of, any concerns about the robustness of the Horizon system during my time at POL.
156. I have read through the documents and the email (POL00096926) indicates some kind of potential communication system issue of which I have no recollection, other than what the information in the document tells me. I note that one email does make a comment that it is not an Horizon issue, i.e. email from Gareth Jenkins 7.8.2012 (POL00096926) which states "all this indicates that there is nothing amiss in the system itself, but there are clearly issues in branch and perhaps the way in which they are using the system".
157. I do recall being asked for my team to record cases where Horizon was mentioned as the possible cause for a loss, but do not recall what action was taken as a consequence of recording such an issue. I think my team leader at the time, Craig Tuthill, was concerned about the length of time the issue at Semilong branch had been on-going but there is the possibility that it would not have been referred to the Contract Team until the subpostmaster refused to make good any losses.
158. The email correspondence at POL00088957 (emails from Rod Ismay dated 2.8.2010) makes reference to a report that had been produced about Horizon and the impression I have from these emails is that there were no issues identified with the system's integrity, but there were some improvement opportunities potentially identified, the details of which I do not recall.
159. At the level I was operating at in POL, I do not recall ever receiving any

communication from my superiors that there was an issue with Horizon and I am unable to identify anything that would give me cause to challenge this situation or believe it to be incorrect. I trusted Horizon and my superiors' knowledge of the system and made all of my decisions on the basis that the Horizon system was accurately recording transactions. I only had limited knowledge of Horizon and had no knowledge of the intricate workings of the system that operated in the background.

160. From the perspective of the roles I carried out for POL, the robustness of the Horizon system was not considered to be an issue and I was not aware of any evidence to suggest there were issues impacting on the operation of Horizon.

161. Other than what I have read in the information provided in the email at POL00091384 (email from Lynn Hobbs to me dated 3.12.2010), I was not aware that Fujitsu could put an entry into a branch account remotely via Horizon, but accept comments in the email text that this was possible. I also note the email indicates that POL could not undertake this type of activity and that POL had never specified this type of access should be available.

Other Matters

162. There are no other matters I wish to bring to the attention of the Chair of the Inquiry.

Statement of Truth

I believe the content of this statement to be true.

Signed:

GRO

Mr John Breeden (May 15, 2023, 12:27 pm)

Dated:

15 May 2023

Index to First Witness Statement of John Breeden

No.	URN	Document Description	Control No.
1.	POL00088804	Job description for Contract Advisors, 17.12.2004	POL-0085862
2.	POL00005583	'Advertising Vacancies During Network Transformation', 19.4.2015	VIS00006651
3.	POL00088900	'Assessment for the Position of Subpostmaster', August 2005	POL-0085958
4.	POL00088903	'Brief summary of certain sections of the subpostmasters contract, 17.12.2004	POL-0085961
5.	POL00005776	Death in Service policy, 13.1.2016	VIS00006844
6.	POL00039089	'Operating Level Agreement: Product & Branch Accounting, Network and Service Delivery', v.1 March 2009	POL-0035571
7.	POL00088579	Operators' in service debt policy, v.1.0, 18.9.2013	POL-0085637
8.	NFSP00000169	Draft policy "Debt recovery – Horizon related errors" dated 18 November 2004, enclosed under cover of correspondence between the Post Office and the National Federation of Subpostmasters	VIS00007617
9.	POL00001404	'TC/Debt Recovery Review', 14.11.2008	VIS00002418
10.	POL00083945	'Corrective Action for agents – Process, Timescales and Letters', 15.2.2006	POL-0081003
11.	POL00087252	'Branch Write Off Process', 5.12.2013	POL-0084310
12.	POL00088904	'Losses and gains policy within the POCL agency network', v.1, 20.11.1998	POL-0085962
13.	POL00086005	'Policy and Process Amendments to ACC 12/2009 (Deployment of Post Office operating models in cases of summary termination and resignation to avoid summary termination)', 16.6.2011	POL-0083063
14.	POL00088890	Postmaster Contract Termination Policy, v.3.0, undated	POL-0085948
15.	POL00000325	Postmaster Support Policies: Termination Decision Review Policy, v2.3, 30.3.2021	VIS00001299
16.	POL00088891	'Postmaster Guide to Policies', v.1.2, undated	POL-0085949
17.	POL00087291	Managing shortages at Audit (Traditional Branches/NT Converters): Process and Policy Guidelines	POL-0084349
18.	POL00005962	Subpostmaster Appeals Panel Process, v.1.	VIS00007030

19.	POL00045263	Extract from email relating to appeal decision (case of Susan Rudkin), undated	POL-0041742
20.	POL00074571	Correspondence relating to case of Katherine McAlerney, 11.12.2007	POL-0041742
21.	POL00096926	Email from Gareth Jenkins, 7.8.2012	POL-0096509
22.	POL00088957	Emails from Rod Ismay, 1.8.2010	POL-0080918
23.	POL00091384	Email from Lynn Hobbs, 3.12.2010	POL-0090406
24.	POL00089258	Email from Steve Bradshaw to Glenn Chester and John Breeden re 48 hr offender reporting, 20.04.2012	POL-0086233
25.	POL00090846	Email from Karen Arnold to John Breeden, Paul Dann regarding Hightown 512323 suspension of Alison Hall, 02.09.2010	POL-0090490



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