

Witness Name: Mr Mark Kelly  
Statement No: WITN0265\_01  
Exhibits: none  
Dated 20/1/2022

**THE POST OFFICE HORIZON INQUIRY**

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**WITNESS STATEMENT OF MR MARK KELLY**

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I, MR MARK KELLY 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.

**BACKGROUND**

- 2. I am 43 years old. I have been caring for my mother almost full time, as she has been very unwell. I assist my wife in her retail business.
  
- 3. After school I went to Cardiff University to study for a degree in Computer Science. After leaving university, I assisted my parents in our family post office. I also worked part time at Lloyds Bank.

4. Before I was appointed as Subpostmaster, my mother was subpostmistress and later my father was subpostmaster. While my parents ran the Post Office, there was an armed robbery which caused my mother to be very unwell as a result. I then took on the Post Office from my father.
5. My parents gifted the Post Office to myself and my wife. This provided the equity that the bank wanted for the business loan we needed to take on the post office.
6. I was a Subpostmaster of Brondeg Post Office, 71 Manor Road, Mandelson, Swansea SA5 9PD from 16 January 2003 to 20 July 2006.
7. I signed a document entitled 'Conditions of Appointment' when I took on my role as Subpostmaster. I vaguely recall that this was a 1-2 page document including the opening hours and the address of the branch. This was not the full 100 page contract and I did not even know that there was a contract of this size. Mark Baker of the Communication Workers Union later told me there was a fuller and more comprehensive contract at a later date.
8. I lived in the post office premises and I operated a retail business from the premises. I initially sold greeting cards and stationery. During my time in branch, I stopped selling greeting cards and moved into providing DVD rentals, pet supplies, computer repair, handbags and confectionary. The pet store was becoming a really a viable business when I lost my position.
9. I employed two assistants, Catherine Ball from 16 January 2003 to 2005 and my wife, Olga Kelly from 16 January 2003 to 20 July 2006.

### **Training and Support**

10. There was one day of training in a hotel room near our post office. They had a demo Horizon computer and they talked us through certain transactions.

11. As I say, my parents took over the post office in 1997, and I did initial training with them because I worked with them as a clerk. It was in this role that I undertook the initial Horizon training in 1999 when the system was introduced.
12. My mum struggled with the new system, but I thought that I picked it up quite quickly, which I think in part was aided by my having studied computer science. As a clerk, I was just by the trainers told how to do the sales and transactional aspects, such as selling a stamp. There was no guidance on the balancing in any great detail. My mother and I were the last to leave, as she was struggling to pick up the system.
13. I do not feel that this was an adequate introduction to the new computer system, especially bearing in mind that some of the subpostmasters were not computer literate, and this was their first introduction to computers. Prior to this training day, many subpostmasters, including my parents, had spent years using the old paper method of balancing, which was a stark difference to the computerised system.
14. I attended a 5 day course in or around 6 – 10 January 2003, which was held at 47 – 49 Albany Road which was a Crown Post Office at the time. The training was held in one of the offices at the back of the building.
15. We covered things such as customer service and we did one balance. I felt that this was more tailored to how to complete transactions and sales. The trainers did not tell us how to correct any mistakes made on the system.
16. In fact, during the training it was necessary to teach the trainer how to do certain things, such as how to go back and correct a mistake. We also had to guide the trainer in regards to parcels: if you weighed the parcel in a certain way it would not correspond properly with the system, and there was another way of doing it which would better translate onto Horizon. I had to teach the trainer this.

17. The trainer also did not know how to use the APC (electric key tokens). This related to bill payments an issue that could often cause an issue if customers changed their mind at the last minute about paying the bill.
18. Ordinarily (if not using a key token) the way the transaction worked with bill payments and the like was that if a customer came to pay a bill, you processed the transaction, and if the customer then said they did not in fact have the money to pay the bill, the transaction could be reversed.
19. However, with an electronic key token, if the transaction was put through as a top up and customers then changed their mind about completing the transaction then the system did not allow reversals. Instead, money had to be taken before processing the transaction to make sure it went through and no shortfall was caused as a result. I had to tell the trainer that this was the correct way to complete the transaction and explain the problem with the system not allowing a reversal.
20. The training offered no guidance as to what to do should there be problems when balancing. We were told to just call the helpline and they would see if they could put any losses into suspense.
21. After the initial training I had a person who monitored how we work in the branch for one week and help with any process that was required.
22. This trainer mainly shadowed us to make sure we were doing the transactions correctly. She often focused on the paperwork behind the scenes, as opposed to using Horizon. This trainer stayed and did one balance with us. There was no issue with this balance.
23. We had joint venture training when the Post Office entered into business with the Bank of Ireland. This was to do with financial services such as mortgage services and the like.

24. Post Office Operational Focus updates were sent every week and we had to read these to understand any new processes with the system.
25. Crown Office would close between 9am-9.30 once per week to allow for practice on the system, and to learn about new updates. However, we were not allowed to close to undertake such training. Those in the Crown Office had up to half an hour to train on the new processes, however we did not get to benefit from time such as this and had to be open to trade instead.

### Helpline

26. I estimate that I contacted the Helpline more than 5 times per week with regard to problems relating to alleged shortfalls and /or balancing.
27. The Helpline just seemed like they were reading from a script. They often told me that I was the only one having these issues, and I got the impression that they were deliberately trying to make me feel isolated and as though my issues were stand alone.
28. Often the Helpline would tell me that the problem would sort itself out. I had many experiences with the Helpline throughout my time as subpostmaster and below I have listed those that I recall to the best of my ability.
29. In mid-January 2006, I called the Helpline to inform them about a bug on the system when using the smartpost stamp function in conjunction with bankcards. The bug was affecting these specific transactions and could cause significant losses.
30. I had a phone call 3 February 2006 from the Helpline to confirm that Fujitsu had identified the bug and confirmed that this was the cause of discrepancies. Ordinarily, if there was a bug, the Post Office or the Helpline would send a memo to other subpostmasters to let them know that there was an error. However, the person that rang me told me that there would not be a memo circulated.

31. They also confirmed that other postmasters had also contacted them with the same problem.
32. On 4 January 2006 I called the Helpline for assistance with balancing in regards to an alleged shortfall, (I do not recall the amount). I had put a green giro onto system at 7.02pm, which the system did not register and hence created a shortage because it does go through as a transaction.
33. It seemed like there was a cut off time for transactions to be processed by Horizon, in that if you put something through the system after 7pm it would not be accounted for on Horizon until weeks later.
34. The Helpline told me they would cancel the transaction out. They also mentioned that there were currently many other Post Offices having the same problems.
35. Three months then passed and nothing came through regarding this error and shortfall, instead the alleged loss popped up on system as a shortage. I had to then accept the alleged shortfall and pay it back in order to open and trade the next day.
36. When I called the Helpline about this, they offered no assistance and told me to contact Alliance & Leicester and not themselves as they claimed that the problem was with A&L. The Helpline told me that it was Alliance and Leicester who were issuing the error notices, not the Post Office.
37. When I subsequently called Alliance and Leicester, they were shocked that I had called them and said that it was the Post Office's internal system was generating error notices.
38. I experienced two armed robberies at my post office. The first armed robbery was in November 2003. The robbers threaten me with a gun and a rock.

39. I was notified by the Post Office of an alleged shortfall of £5,754.14 on 16 December 2003. This was eventually cancelled by the Post Office. This was also a result of an armed robbery. The Post Office alleged that I had not adequately safeguarded the Branch during the robbery and that insufficient precautions were taken, and so I was held to be responsible to pay the above amount.
40. The robber had a large rock and threw it through the counter. We had to move ourselves out of the way so that the stone did not hit us. We then left the store and called 999 from our house. However, the panic button was below the counter and to press it, we would have had to move closer to the armed robber and towards the rock being thrown. The Post Office tried to pursue me for the above money and claimed that I had breached safety precautions by not pressing the panic button. The only way to press the panic button was if we had moved towards the stone being thrown.
41. The second armed Robbery occurred on Tuesday 16 November 2004 and the Police attended. Around £47,000 was stolen.
42. In fact, the police were able to track down and charge one of the robbers, who was convicted of this robbery; he received 7 years imprisonment. The police asked the Post Office if they wished to make a claim for their losses against the defendant. The Post Office declined this offer, but then sought to recover the £47,000 from me. This caused us great distress and worry over a period of some months in which the Post Office sought to force me to pay for the monies that were stolen, including my having to attend a meeting with a very senior Post Office manager in Bridgend. Eventually the Post Office desisted in their attempts make me personally liable for the losses caused by the robbery.
43. I feel that this is a good example of the way in which the Post Office treated subpostmasters. Even when there was proof positive that a robbery had occurred, and the robber was convicted, the Post Office sought to recover the money from the subpostmaster rather than the convicted robber.

44. Auditors came on Wednesday 17 November 2004 to check what was stolen and spoke with the Police and insisted that we open the following day.
45. The auditors then zeroed the losses so that no shortfall was showing. We were then closed, and we reopened the next day.
46. Horizon generated a loss of approximately £2,000 between the time the auditor and the police were there and the day we reopened. The system said that I could not roll over unless I accepted the loss. I refused to accept that loss since the Post Office was closed between the time of the audit and when the loss was generated. Therefore, the loss could not have been generated by any action of mine.
47. The Helpline eventually agreed to put the figure into the suspense account to let it roll into the next balancing month where I think it stayed until the Post Office finally closed down, and it became part of the final total alleged loss (detailed below).
48. I also contacted the Helpline because I had an alleged loss in relation to a currency order. The loss was £600 and made using a debit card. The payment then got lost on the system and the £600 was registered as a loss.
49. The Helpline just told me to investigate this myself. We asked the customer who said that they did not have the card anymore and so we could not trace the loss. The customer did confirm that they had paid the amount but the transaction had not processed on the system. I think this occurred in or around 2005.

### **SHORTFALLS**

50. 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.



51. I would estimate that throughout my position in the branch, I paid (or Post Office deducted) in excess of £3,000. I set out below examples of the shortfalls that occurred.
52. £40 on 18 February 2004. I repaid this in full. I declared these shortfalls by following the Post Office procedure.
53. £61.08 on 24 March 2004. I repaid this in full. I declared these shortfalls by following the Post Office procedure.
54. £300 on 18 June 2004. I repaid in full. I declared this shortfall to the Helpline.
55. £11.50 on 25 August 2004. I repaid in full. I declared this shortfall to the Helpline
56. £600 on 15 October 2004. This was in regards to a pre-order foreign currency. I paid in full but cannot remember how I paid. I checked back through my records and transaction history then called the Helpline. They advised that I transfer the amount to a suspense account. I eventually repaid the alleged loss in full in order to balance.
57. £2,000 on 17 November 2004. This was a cash loss after the armed robbery. I was audited and then the alleged loss was generated between the audit and reopening of the branch.
58. As I have said, Horizon generated a loss of approximately £2,000 between the time the auditor and the police were there and the day we reopened. The system said that I could not roll over unless I accepted the loss. I refused to accept that loss since the Post Office was closed between the time of the audit and when the loss was generated. Therefore the loss could not have been generated by any action of mine.
59. The Helpline eventually agreed to put the figure into the suspense account to let it roll into the next balancing month where I think it stayed until the Post Office finally closed down, and it became part of the final total alleged loss (detailed below).

60. £384.59 on 10 October 2005. I repaid this in full. This had been declared to the Helpline
61. £12,000 on 20 July 2006. I knew about some of this shortfall, but did not know about the remainder. This shortfall was inclusive of the £2,000 that was still in the suspense account following the robbery.

### **Audit and investigation**

62. Not including the audits following the two armed robberies, nor the audit on hand over day when I became the subpostmaster; I had about 3 - 5 audits between 2004 and 2006.
63. I suddenly started getting audited around the time that the Post Office made it clear that they wanted to close one of the branches in my locality, as part of the Network Transformation Programme. The Post Office did not have an office in the area that would close voluntary, and so I got the impression the Post Office had singled mine out for closure and this is why we then started to have more regular supposed losses and audits.
64. Most of the time just one auditor (the same person each time), arrived first thing in the morning and left by lunch time.
65. I recall that on one occasion, the auditor seemed surprised or disappointed that he did not find a large shortfall. Everything during this audit balanced and he acted as though he was surprised that this was the case and he checked the figures multiple times, which he had never done before.
66. The final audit was on 20 July 2006. This audit was conducted by Fiona (I do not recall her surname) from Post Office head office. She told me she was attending my branch because the Post Office had made several attempts to terminate my contract. Fiona said that a customer had complained that there was a lavender smell

in the office. A customer also came in and wanted to send a guaranteed service to Russia, at the time this could not be done, because there was an embargo on certain types of mail in Russia, and so this customer had apparently made a complaint.

67. After inspecting my office, Fiona then counted the stock and the cash and this is when she found a shortage. I believe that she found an alleged £9,000 loss.
68. I was then audited again the following day by two auditors, and they maintained that they found an additional £3,000 shortfall; making the total alleged loss £12,000. I was suspended immediately.
69. Fiona told me that the Post Office would prosecute me. She then told me said that if I resigned, they would not proceed any further with a prosecution, and it would look better for me to the Post Office if I resigned. She also said that they would not pursue the money.
70. Following the audit on 20 July 2006, I was interviewed by the Post Office Security team under caution. They also searched my branch and requested my financial information, such as bank statements, which I provided.
71. The Post Office were planning to charge me with theft and false accounting.
72. I went for two interviews; one was cancelled because I was very unwell. On the same day as the interview I was admitted to hospital under the Mental Health Act and was in treatment for the next 6 months.
73. This was not a pre-existing condition, and I believe that it was brought on by the constant stress caused by the Post Office and as a result of trying to find the errors in the Horizon system, the robberies and the constant impression given by the Post Office that I was the only one in this situation.

74. I had the second interview around 6 months later, after I was released from care under the Mental Health Act. This took place after Post Office had already terminated my appointment.
75. The Interview was conducted in a Police Station by Post Office investigators. It was therefore very frightening.
76. I do not recall very much about this interview except that they looked at my bank statements, and saw that there was no money, which would correspond with the losses in the branch.
77. I had taken screen shots of the bug on the Horizon System, relating to the smart stamps and had shown these to the Post Office previously. My solicitor at this time then told the Post Office that we would use this evidence to show that Horizon had flaws.
78. The Post Office then dropped all the allegations and took no further action in relation to the prosecution.
79. I emphasise that the Post Office did not inform me that they were dropping the prosecution, they simply took no further action. As a result, I live under fear of prosecution for a very long time.
80. For example, I was party to the Group Litigation against Post Office Ltd. I was afraid that if we lost that case, the Post Office would restart their prosecution of me.

### **Suspension and Termination**

81. I was suspended immediately following the audit on 20 July 2006 when the Post Office found alleged shortfalls. The branch was closed from 20th July 2006 onwards.
82. I asked for a temporary subpostmaster in office (with me paying their salary). I was told this could not happen because the false roof behind the counter was not

completed by a Post Office approved supplier, due to fitter passing away and other official suppliers having backlogs.

83. Following the audit, the Post Office locked the counter and Post Office Limited staff took the key. A few weeks later, someone from Post Office came to collect all the paperwork from branch and Horizon.
84. I feel that the Post Office subjected me to constant harassment from the robberies to the date of that audit and beyond. They were looking for anything to terminate my contract.
85. During the final audit, the Post Office manager, Fiona, encouraged me to resign, and assured me that doing so would prevent prosecution.
86. I resigned around 6 months later, just before the second Post Office interview under caution.
87. In addition, I felt that I had constantly been harassed by the Post Office and they were looking for any reason to terminate my contract as they wanted my branch to close as part of the Post Office National Transformation Scheme plan. For example, on 10 May 2005, I received a phone call from Dave Hazell who was the Head of Area and told me that I was in breach of contract because I was not displaying a poster advertising Post Office products such as travel insurance and currency. Mr Hazell claimed that this was in breach of page 54, section 5 of my contract (which I the time I did not have a copy of) and therefore gave me 3 months' notice.
88. I contacted Mark Baker of the Communication Workers Union, and this matter was resolved after Mark pointed out that this was not a contractual obligation. In fact, the reason I had not displayed the poster was because I had never been sent them by the Post Office; a fact which I told them.
89. I would like to emphasise that Mr Mark Baker was hugely helpful to me. At that time he was a representative of the National Federation of Subpostmasters. He was the

only National Federation representative who stood up for subpostmasters. Mr Baker left the National Federation and became a union representative with the Communication Worker Union.

90. There were multiple instances such as this. This behaviour towards me by the Post Office, plus the behaviour of the Post Office following the final audit and Fiona's insistence that I resign led to my decision to resign.
91. Furthermore, I was deeply unwell as a result of the stress the Post Office placed me under. I felt backed into a corner and just wanted the situation to be over.
92. I was not able to sell or transfer my business, because I became very ill and was under the care of the GP. Because of this, the bank would not liaise with me and my wife, who was not named on the deed or the bank account. Therefore, the business was sold in 2009 at auction for £78,000 after being repossessed.

### **Civil and Criminal Proceedings**

93. The Post Office did not pursue civil or criminal proceedings against me for recovery of the alleged shortfalls. However, they threatened to prosecute me, and this threat hung over me for a very long time.

### **Losses**

94. I repaid in excess of £3,000 to Post Office Ltd in alleged shortfalls. I was led to believe that I had no alternative but to pay the shortfalls such shortfalls no matter what the cause.
95. I lost the value of the business (Post Office and retail shop) but am unable to quantify this without expert valuation evidence. I paid the following for the purchase of the branch: £145,000 for the purchase of the freehold (the existing Post

Office and retail property) Going by records found including my business plan the total value of business including freehold was at the time £142,000. £45,000 of this was gifted to me by my parents. I paid £300 for the purchase of the stock

96. Both the business and the residential property were repossessed when the Post Office closed. There was a clause on my bank loan which said that when the Post Office closed, they could recall the loan which they ultimately did.
97. This also closed my pet store business, which was becoming very profitable.
98. I was suspended for approximately 6 months, and therefore lost £12,600 in remuneration. Had I been given paid notice by the Post Office I would have been due £6,300, for 3 months' notice, or £12,600 for 6 months' notice or £25,200 if I had been given 12 months' notice.
99. If it were not for the events that occurred, my future plans in my role were to increase the retail side income on the pet supplies, which at the time was becoming ever more profitable and turnover was constantly increasing.
100. The main income would become the retail side, with the Post Office being used to increase the footfall to the retail business.
101. At about this time (2017) the business loan would have been coming up for maturity, which would have given me an extra £792 per month income. This would also give us full control of the freehold asset again.
102. So we would have used this time to look at either starting a family, buy another property which we would rent out, or buy another business etc. This is so we could start saving towards our pension fund in 20 - 30 years' time from then.
103. I would have expected to continue to work in the post office until retirement; I would have expected to earn at least £982,800 from the branch salary.

104. I have not found subsequent employment as I have struggled with my mental health and have become too afraid to take on another position of responsibility. I help my wife out with her retail business but I do not earn a salary.

### **HUMAN IMPACT**

105. My family and I had run our post office since 1997. It was not just our business, but our home.
106. I knew that there were problems in the Horizon System, as a result of my aptitude in computer science, which I studied in university. This enabled me to find and produce evidence of a bug "Smart label" which would record ghost transactions in the Horizon System, which I produced to the Post Office and subsequently to Fujitsu.
107. I had reported this bug to the Post Office. They acknowledged that the bug was present in the system. The Post Office told me that they would not circulate a memo to other subpostmasters about this bug. I later informed the Post Office that if they did not circulate a memo regarding this bug I would inform other postmasters myself, via the National Federation.
108. Not long after this, in July 2006 the Post Office undertook a surprise audit and maintained that they had found an almost £13,000 shortfall in the Horizon account and I was suspended. I am sure that the shortfalls in the Horizon accounts were caused by flaws and bugs in the Horizon System.
109. As I say, I highlighted a bug to the Post Office and Fujitsu. However, after the second armed robbery where the Horizon system generated a negative figure in the Horizon Account, this was a clear example of further flaws in the Horizon System.
110. It was impossible for me or anyone else to have removed this money from the Horizon System, as my terminal had been locked by the Post Office auditors at the time of the robbery in the presence of the police.



111. I became so paranoid about the Horizon System, that we ran our own system to mirror all transactions as a double entry checking system.
112. The constant stress and anxiety of where the errors were coming from made me feel like a failure and trigger my panic disorder as random figures were generated by the Horizon System.
113. Despite there being obvious flaws in the Horizon System, the Post Office sought to prosecute me for theft. I was subjected to Post Office investigations, where they looked into my personal finances, and I was interviewed under caution at a police station by Post Office investigators.
114. Although my then solicitor made it clear to the Post Office that she would use the evidence I had developed to demonstrate the flaws in the Horizon System, the fear of prosecution continued, as the Post Office never told me that they would not proceed against me.
115. Despite the mental health collapse caused by the Post Office action against me, the Post Office still insisted on interviewing me under caution. I felt isolated, worthless and suicidal. All the Post Office was interested in was getting their money. Money, which in my view did not even exist, but was a figment of the Horizon System.
116. Indeed, years later, when I was a party in the Group Litigation against Post Office Ltd, I was afraid that if we lost that the Post Office would restart a criminal prosecution of me.
117. As a result, of the Post Office action against me I suffered from depression, anxiety and panic attacks. I was cared for under the Mental Health Act for six months, and have very little recollection of this time. I was so unwell that I could not even remember my name, date of birth, nor even my wife's name.
118. Due to Post Office's actions, the property that was my home and office was repossessed by the bank in 2009.

119. Since this time, I just cannot handle any stress, targets, pressure etc. I have become too afraid to take on another position of responsibility.
120. I often blame myself for what has happened. I have had thoughts about ending my life many times. I have felt that my wife, friends, and family would be better off without me.
121. My reputation has been damaged in the community, where my family and I have been known for so long. My wife she recalls people saying in the area that we organised the two armed robberies to steal the money from the Post Office and this was the reasons why we closed.
122. The Post Office action has deeply affected my relationships with my family. My mental health and shame made me withdraw and break contact with my wider family and friends.
123. When I became a party to the Group Litigation, I realised that I was not alone, and that many other people had had experiences like mine with the Post Office. Knowing this helped me to realise that the destruction of my life, and the life of my family, was not my fault.
124. The Horizon System and the Post Office destroyed my dreams. My wife and I wanted to start a family, but after the ordeal of the Post Office I was in no mental, physical nor financial state to do so.
125. I have lost my business and my home. I have also lost my future work and career, as I intended to continue running the post office (handed down to me by my parents) until retirement.
126. I now feel that I have let down my parents and my wife, who now has to shoulder so much of the responsibility in our lives, down, as I just can no longer function as I did previously.

**CONCLUSION**

127. I would like those responsible at the Post Office to be held to account for what happened to me and other subpostmasters.
128. I would like to be compensated for the loss of my home, business, income and future and also for the harm that the Post Office action caused to me.
129. As I give this statement to my solicitor there are announcements on the TV and Radio about a compensation scheme for subpostmasters. However, that scheme only benefits people who were wrongly convicted and have been through the long and difficult process of having their convictions overturned. There are only a small number of subpostmasters who have yet been able to go through the process of having their convictions quashed. There are therefore many hundreds of people who were wrongly convicted, but who will get no compensations.
130. Furthermore, this scheme does nothing to help subpostmaster like myself, who were threatened with prosecution, but not prosecuted; but whose lives were still devastated by the Post Office.
131. I simply do not understand why the Post Office and Government will not simply do the right thing for the victims of this scandal.
132. I would like the Post Office to genuinely acknowledge what went on and what went wrong. I would like the Post Office to demonstrate that they have learnt their lessons from this, and guarantees that this will not occur again.
133. I would like the Inquiry to investigate the role that Fujitsu played in this scandal and for Fujitsu to acknowledge the role that they played in this scandal.
134. I would also like the Post Office to publish an apology in the local media in my community, so that I and my family can regain our good name.

Statement of Truth

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

Signed **GRO** Dated 20.1.2022  
Mark Kelly