

WITNESS: MALCOLM WATKINS

STATEMENT NUMBER: WITN0173_01

EXHIBIT: WITN0173_01/1

DATED: Jan 28, 2022

POST OFFICE HORIZON IT INQUIRY

FIRST WRITTEN STATEMENT OF MALCOLM WATKINS

THIS STATEMENT IS PROVIDED IN RESPONSE TO THE RULE 9 REQUEST OF
THE PUBLIC INQUIRY DATED 29/10/2021 TO ADDRESS THE HUMAN IMPACT
OF THE FAILINGS OF THE HORIZON IT SYSTEM

I, MR MALCOLM WATKINS, Date of Birth of
 will say as follows:-

PERSONAL BACKGROUND

1. I am 56 years old and before my appointment as Sub-postmaster, I ran two convenience stores and renovated houses. I worked hard and as a result I was fairly successful, I had good holidays and a good lifestyle.
2. At the time of the allegations, I was happily married with two young children. My wife at the time, was a Police Officer who was retired on injury grounds and she re-trained as a hairdresser.

3. Following the convictions, I was on and off benefits and struggled with employment over the years. As a result of the Post Office my family and I were forced to move away which led to the breakdown of my marriage.
4. I am now a self-employed broker.

POST OFFICE HISTORY

5. I was appointed as a sub-postmaster of the Great Gransden branch, in St Neots, in December 2000.
6. The Great Gransden branch fitted my needs well because it had a large five-bedroom house attached, with extensive gardens and there was a big barn attached. The house needed renovating, which I was prepared to do and so it all seemed to slot together. Please see the attached exhibit marked (WITN0173_01/1) a photograph of the property.
7. **GRO** and I bought the house and Post Office in December 2000 for around £500,000 after securing a mortgage with Santander.
8. Another reason we bought the business was because part of the barn was going to become a hairdressing salon which my wife could use. She also carried out Reiki, which is a type of massage, and the village was affluent, so we wanted to develop this and work together.
9. I had around two to three weeks training. One week of this was external and two weeks on site in the Post Office. I believe I was provided with training documentation and manuals.
10. As part of my training, I was taught on cashing up and balancing. Every week I would have to do a weekly balance which was all stock and cash

was manually counted and entered into the system to see if it balanced. I didn't find it easy to use at all when using Horizon to balance. It was rubbish.

11. Even when Horizon did develop, I never received any further training. I was in contact with my area manager but every time I spoke to someone it was a different manager. Post Office management was just abysmal. I found that the area managers had no experience in their role whatsoever.
12. I was aware of other incidents happening with other Post Offices but I never knew whether it was just rumours. However, at that time, the Post Office was of the opinion that Horizon was infallible. My suspicions first arose after my contract had been terminated and I was working for a company which helped sell businesses. Ironically, I helped sell a Post Office after it was put on the market due to apparent missing monies. I thought this could be more the coincidental, given my experience with the Post Office.

CRIMINAL ALLEGATIONS AND ANY PROCEEDINGS/CONVICTION

13. On balance night, if there was a manageable shortage, such as £60 or £65, I would put the money in the till myself on occasion.
14. I was only experiencing small shortfalls at first, so I just paid them and got on with my job. Small shortfalls are not unusual.
15. As a retailer and a Postmaster, I had to accept that there was always going to be an element of shortfalls, because shoplifting and products going out of date was inevitable, as well as those shortfalls generated by the Post Office.

16. I recall the Horizon system going out of sync a couple of months before the audit. The numbers just didn't make sense. I am fairly competent with IT and the figures were nonsense.
17. On one occasion I had a shortfall of £66,000 and I just did what the system told me, which was to roll it over to the next week after accepting that there were "discrepancies" in the system.
18. Apart from speaking to the helpline I didn't ever report the losses as such, but the system must have sent a report as I assume this is how the audit came to happen.
19. I assumed that someone somewhere would realise that there was a problem. I was expecting someone to call and try and sort it out for me.
20. A few years before I had the Post Office, I had VAT inspection and on one occasion the figures didn't add up. The HMRC upped their investigation, I worked alongside them and resolved the issue. I assumed the Post Office would do the same and up their investigation just like the HMRC did, but instead they just accused me of stealing the money.
21. An audit occurred on 12 September 2003, commencing at approximately 9am. After around 15 minutes, the auditor told me that there was a shortfall of £65,000. I told the auditor that there must be something wrong with the system. I was then told a couple of weeks later that the Post Office had made a mistake and I only owed £50,000.
22. The area manager arrived and invited me back into the Post Office. He suspended me and took all the money and anything of value. I was absolutely shocked.

23. I had every confidence that someone would see this for what it was – a big misunderstanding and that the accounts were clearly distorted. Instead, it was treated as an open and shut case by the area manager, who didn't treat me with respect. I was angry at the inferences, but I was starting to get concerned. However, I was still convinced that someone was going to look at me and see it was a big mistake.
24. The whole situation was ludicrous. I had just done my house up and it looked rather impressive. I worked hard for everything I had. The area manager looked at the house and assumed I had nicked the money, they didn't understand that I had worked my socks off for everything I had.
25. The Post Office pursued me criminally and I was charged with Theft.
26. I pleaded guilty, my contract was terminated and I paid the value of the shortfall of £50,000 shortly afterwards.
27. I was sentenced to an 18 month prison sentence, suspended for 18 months.

THE HUMAN IMPACT

28. The human impact which the failings of the Horizon IT System have had and continue to have upon me and my family are set out in the remainder of this statement. The section headings follow the particular questions posed by the Inquiry.

WHAT WERE THE CONSEQUENCES OF BEING REQUIRED TO MAKE GOOD APPARENT SHORTFALLS SHOWN BY THE HORIZON IT SYSTEM?

29. I was told by a solicitor that to stay out of prison I had to bite the bullet and pay the money back and put the shortages down to my lack of experience.

I then instructed a different solicitor and they told me the same thing. I was also told this by the National Federation of Sub-Postmasters.

30. It came out of the blue so I didn't have a contingency fund. We had to re-mortgage our home to pay the shortfall of £50,000.
31. There were arguments at home.

WHAT WERE THE COSTS OF MAKING GOOD ALLEGED SHORTFALLS SHOWN BY HORIZON?

32. The shortfalls I experienced at the Post Office only started happening a couple of weeks before the audit, which alleged the large discrepancy. Therefore, I did not suffer any significant costs in relation to paying the alleged shortfalls prior to the audit.

HOW WERE YOU AFFECTED WHEN ALLEGED TO BE RESPONSIBLE FOR SHORTFALLS OR DISCREPANCIES SHOWN BY THE HORIZON IT SYSTEM?

33. At first, I wasn't worried. It was clear to me that there were issues with Horizon, and it was surely only a matter of time before the Post Office recognised this and acknowledged it to all sub-postmasters.
34. I had full confidence that when the Post Office looked into it, they would see that it was clearly faulty. I thought that the Post Office would offer me support once they were aware of the issue, and it would be a simple case of examining the technology to see where it was going wrong.
35. When the shortfalls started to get larger, just before the auditors came, I started to get a little bit concerned as I couldn't afford to pay these larger ones.

36. I felt isolated as the Horizon helpline was useless and didn't offer any advice other than to "roll it over to next week". I was positive that these larger shortfalls would be dealt with by the Post Office when it came to their attention.
37. When the audit happened and I was informed that the shortfalls were my responsibility to make good, I was like a rabbit in the headlights. I couldn't tell what the auditor thought – whether I had stolen £66,000 or if I was just stupid. Despite this, I still remained confident that the error would show up to someone somewhere.
38. When I subsequently found out that they held me responsible, I was horrified.
39. I was certain the issues that I was experiencing with balancing the accounts would be rectified by the Post Office once they looked into it.
40. This was not the case, and they accused me of taking the money and that was the end of it.

**WHAT WERE THE CONSEQUENCES OF BEING HELD RESPONSIBLE FOR
SHORTFALLS AND DISCREPANCIES SHOWN BY THE HORIZON IT SYSTEM?**

41. The area manager arrived and invited me back into the Post Office. He suspended me and took all the money and anything of value. My suspension occurred on 12 September 2003.
42. I could not believe a huge organisation did not have the means to check that I didn't steal the money. I was expecting the area manager to sit me down and go through each transaction and find the error, but they didn't.

43. I felt alone because no one believed me and everyone assumed I was guilty.
44. My income went down because there was no post office salary and all three of my shops were affected by the negative publicity.
45. I had less money and therefore had to watch what I was spending. I had to economise for the first time in my life such as I had to think about whether we could put the heating on or not.

WHAT WERE YOUR FINANCIAL LOSSES CAUSED BY ACTION TAKEN AGAINST YOU IN RELIANCE UPON HORIZON DATA?

46. As a result of the shortfall alleged at audit, I was strongly advised by the Federation representative and my solicitor to pay the amount, grovel and apologise to the Post Office. In March/April 2004, we had to re-mortgage our house to pay the shortfall of £50,000. As a result, our mortgage payments went up and we had to make sacrifices and watch our spending. We also had to pay costs of remortgaging and associated fees which will need to be calculated.
47. Due to negative media attention that emerged in the village (outlined below) the sale which was due to go ahead on my other business, the Paxton Shop, was aborted and the business was stolen from us about 1 week before my conviction. Consequently, my mother had to take out an equity loan of £25,000 to help me pay the residual rent on the Paxton shop. There was a £5,000 administration charge on this loan. I have only recently paid the loan off on my mother's behalf, in order to stop interest from continuing to accrue. This equated to £70,000 given the interest on the loan. I was able

to pay this out of the interim payment I received from the Post Office, which is more than half of the compensation I have received so far.

48. As discussed below, we had to relocate as a result of the accusations and the relocation expenses were around £5,000.
49. The post-office and our home were sold for £500,000. If this was sold now, the value is approximately £850,000. Gransden Post Office was part of my pension. I was going to increase the value of my business. The timing destroyed everything. I was intending to stay working in the Post Office until retirement. We had discussed selling the other retail stores, but we were going to stay at the Post Office.
50. I sold two of my retail shops at a loss after my conviction in 2004.
51. Due to my changing financial circumstances, I lost the opportunity to pay into a private pension. I shall be seeking expert evidence to assess the value of this.
52. As a direct result of paying the shortfall alleged by the Post Office, my family and I experienced a backlash from the community which forced us to move to Newton Abbot in May 2005. However, I would argue with my then wife, **GRO** as she wouldn't believe me that I was innocent. This eventually led to the breakdown in our marriage in January/February 2006.
53. I lived in rented accommodation for numerous years before moving into my mother's house in September 2021. This was mostly for financial reasons, but a part of it was also in order to care for my mother.
54. Since my employment at the Post Office, I have never been able to attain employment on an equivalent or better salary. I have lost earnings as a result.

WHAT EFFECT DID IT HAVE TO BE ACCUSED OF COMMITTING CRIMINAL OFFENCES AS A RESULT OF SHORTFALLS AND DISCREPANCIES SHOWN BY THE HORIZON IT SYSTEM?

55. The reality of the situation only became apparent once the Post Office accused me of stealing money from them.
56. At a meeting with the Post Office security people at my solicitor's office, my solicitor said that there was nothing he could do about it. I had to pay back the money and then hopefully I wouldn't go to prison. My union said the same.
57. I started to become increasingly worried.
58. I was completely fed-up by telling people that I didn't take the money and no one believed me.
59. **GRO** and I were arguing and it was easier to tell her I took the money.
60. A security person came to my house and served papers on me. He told me that unless I paid the money I would go to prison for a long time. By this point I went from being a little worried, to terrified.
61. I started to worry about how my family would cope if I went to prison.
62. I felt such immense pressure and everyone was doubting my innocence, including my wife.
63. I was smoking around 40 cigarettes a day.
64. I told **GRO** that I thought about killing myself. There were at least three occasions when I intentionally drove to a busy part of the A1.
65. I got out my car and was pacing up and down along the side of the A1. I contemplated stepping out in front of the oncoming traffic. I just wanted to end it because I was in a horrendously dark place.

66. I then started to think about the consequences such as what would happen to my family and the lorry driver.
67. There were numerous newspaper articles to the effect that I had taken the money to maintain my lifestyle and support my supposedly ailing business.
68. The story was also in the free local newspaper which was delivered to everyone's house. It was also on the local news TV channel. Everyone in the community knew what was going on, including the wider community where my other shops were.
69. This was when the trouble really started and my family started experiencing quite a lot of abuse.
70. Before the Post Office audit, a local business owner approached me and asked if I would sell him one of my shops. At the time I was financially stable, I wanted to reduce my workload and spend more time with my family. I therefore agreed and let them take over before the transaction was legally complete.
71. When the newspaper article came out, they aborted the sale and essentially managed to steal the business off me. As a result of that my mother had to take out an equity loan of £25,000 to pay the lease of the Paxton shop. As stated earlier, I recently paid this loan off using the interim payment I received from the Post Office. However, the amount I paid to discharge the loan was £70,000, given the interest that had accrued.

WHAT WERE THE CONSEQUENCES OF BEING CONVICTED OF A CRIMINAL OFFENCE AS A RESULT OF SHORTFALLS AND DISCREPANCIES SHOWN BY THE HORIZON IT SYSTEM?

72. On 19 March 2004, I attended court. I was advised to plead guilty, which I did. I was told to repay the money before I return for sentencing. I re-mortgaged my home and paid the shortfall of £50,000.
73. On 27 April 2004, I attended Cambridge Crown Court for sentencing. I received an 18-month prison sentence which was suspended for 18 months. I was incredibly relieved to only receive a suspended sentence as it meant that I was not going to prison.
74. My business suffered massively because of the conviction. People in the community stopped shopping at my shops and this had a significant impact on our businesses. We had to let some staff go, and this didn't go down well in the local community. People said if I hadn't stolen the money I wouldn't need to let my staff go.
75. My wife, **GRO** and I had two young children and my GP advised that the best thing we can do is sell up and get out of there. We relocated in May 2005 to Newton Abbot in Devon, which is a completely different part of the country. This was not our choice. Had it not been for Horizon we would not have had to do this. As a result of having to flee from Great Gransden to Devon, our removal expenses were approximately £5,000.
76. As a result of the Post Office, I had already been taking antidepressants for some time by the time we moved.
77. After we moved, I massively underestimated how difficult it would be to get employment because no one wants to employ someone with a conviction for stealing. I couldn't get decent employment for years.

78. I managed to get some self-employed commission only jobs, such as knocking on doors, selling double glazing or gas and electric, but these were not jobs or salaries I was used to.
79. For one job I applied for, I arranged to meet the interviewers in a hotel in Swindon. I was anxious before attending the interview as I did not know whether I could afford to pay for fuel to drive there in my car.
80. I finally found a job as a valuer that I enjoyed, but they were a victim of the 2008 crash, and everyone was made redundant.
81. I suffered anxiety and depression.
82. I often cried and struggled to sleep.
83. Eventually, in 2012 I decided to go self-employed as a broker. It has been hard to get it off the ground due to lack of capital. It just about makes profit some years and puts food on the table and a roof over my head.

**WHAT EFFECT DID THESE ISSUES HAVE UPON YOUR RELATIONSHIPS
WITH YOUR FAMILY, FRIENDS, COLLEAGUES AND LOCAL COMMUNITY?**

84. Everyone deserted me and the only people that stood by me were my mum, brother and my best mate. No one else wanted to know me.
85. When we moved to Devon, **GRO** and I started to have problems. She didn't believe me and saw me as a criminal living in our own home.
86. She continuously questioned me on what else I was lying about and it became an obsession of hers. If I was late home she would say I was up to no good.

87. Money was very tight and we struggled to pay bills. Our relationship by this point had deteriorated and [GRO] family talked about me, saying I was a thief.
88. After we nearly lost the house, [GRO] very much saw me as a failure and she didn't want me to see our children. The trust had gone between us and she decided to leave.
89. When [GRO]n left, I felt frightened and worried about how she was going to manage with our children. We went to mediation and sorted contact for the children.
90. The conviction decimated my reputation in the local community. Half of my local community were supportive, and the other half believed that I was a criminal.
91. [GRO] and I received abuse, people put notes through the door. I went from being respected in the community to a social outcast.
92. Others would stand outside the Post Office with banners protesting to get the post office reopened.
93. My children went to a nice nursery, and the parents there insinuated that I was able to pay the fees with my 'stolen millions'. People would shun my family, to the extent where there was a street party, in the street outside our house, and it was made clear in no uncertain terms that we were not welcome.
94. We moved to Devon just to escape the constant shunning and shame cast our way.

PLEASE DESCRIBE THE DIRECT AND INDIRECT EFFECT WHICH THESE ISSUES HAD UPON THE MEMBERS OF YOUR FAMILY?

95. **GRO** was shopping in town with the children and three women swore at her about the Post Office being closed and how we were ruining the village community. **GRO** is a tough cookie because she was used to this sort abuse in the police force, but even she was upset by this.

CONCLUDING REMARKS

96. On 19 July 2021, I had my conviction overturned. Initially, I felt relief, but then I felt that nothing had changed. Since then, I feel angry. I was put through hell, and I did absolutely nothing wrong.
97. Horizon was not a good system. As well as this, the Post Office management meant their employees handled the situation atrociously. They were trained to make you believe you were the only person experiencing these issues. There were times when it was so bad, I was made to feel I was guilty; I felt like a bad person.
98. The Post Office's employees were blinkered, they thought that because I earned money and I drove a nice car it must have come from the money I had taken. It never occurred to them that I worked seven days a week and started at 5am in the morning, that is why I was able to afford what I did. The Post Office didn't believe I worked hard.
99. I cannot put a price on my life being destroyed. I lost my family, and my dreams and had to move to another part of the country.
100. I continue to have trust issues and I am not the person I once was.

Statement Of Truth

I believe that the facts stated in this witness statement are true.

Signed:

GRO
Malcolm Watkns (Jan 28, 2022 08:50 GMT)

Print Full

Name: MALCOLM WATKINS

Date of signature: Jan 28, 2022

FILE REFERENCE: **GRO**

