

WITNESS: NICHOLA ARCH  
STATEMENT NUMBER: WITN0122\_01  
EXHIBITS: 4

DATED: 15 March 2022

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**POST OFFICE HORIZON IT INQUIRY**

**FIRST WITNESS STATEMENT OF NICHOLA ARCH**

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I, Mrs Nichola Arch, will say as follows:

**INTRODUCTION**

1. I make this statement to address the Chair of the Inquiry on the personal impact the failings of the Horizon IT system have had on me. I previously attended a remote meeting with the Chair on 25 February 2021, before the Inquiry became a Statutory Public Inquiry, and a transcript of that meeting is attached as exhibit 1. I also provided a brief human impact statement, which is attached as exhibit 2.

**BACKGROUND**

2. In 1993 I found a job advert for a counter clerk at Brimscombe Post Office which I was really interested in. I'd moved to that area after getting engaged, so I thought that would be a good starting point. I'd trained as a teacher but I wanted to get out of that, so I went for the job and got it. We never had problems at that post office with the old-fashioned system, all on paper.

3. In 1997 the postmaster, a lady, sold the business which was her home as well, and a family moved in. I was no longer needed as it was going to be a family business, and so I decided I would do relief work. Nobody can go on holiday without relief people, and I thought that could be a good little business for me to start. I really enjoyed the work, and worked all over Stroud in most of the offices. I had a good reputation and was busy 24/7.
  
4. In 1998 I was working as relief at Chalford Hill Post Office covering for the subpostmistress, who had been diagnosed then with terminal cancer. I became really good friends with the subpostmistress. She and her husband had lived in the village all their lives and had been married for 48 years. The family owned several businesses in Chalford Hill including the post office, and they rented out a flat above that as well. The subpostmistress had always wanted the post office to stay in the village, and so when she passed away, her husband automatically applied to take over as subpostmaster, although he'd never stepped foot in the post office and had no intention of doing so. The Post Office allowed him to keep the post office within the business, so he offered it to me on a salary basis. We also agreed that I would rent the shop from him and run that as my own business.
  
5. My fiancé and I bought a shared-ownership property in Stroud about 10 minutes drive away from the post office. We paid the subpostmaster £15,000 for the stock, which was all we had saved up, to start the business. We thought it was going to be a pretty sound bet as it had been there for a long, long time and had a good reputation. We re-kitted the shop out, put new shelves up, and put in new flooring. I got lots of different deals from different card merchants with sale or

return offers, and with all the stock the shop looked really appealing. We sold all sorts of stationary, sweets, parcel packaging and things like that, and things were ticking along nicely.

### **HORIZON INSTALLATION AND TRAINING**

6. During the summer of 2000 the Post Office contacted me to say that our office would be one of the first to go on the rollout scheme of the new Horizon system. I was really chuffed about this, because at that time we were doing everything manually and balancing on a Wednesday evening took us ages. Having modernised the shop I was looking forward to a modern computer system.
  
7. In autumn 2000 an engineer came to the branch and installed the equipment in the morning. A gentleman came with him, who showed me how to use the system while the business was open. I had customers coming in and out of the shop and the post office, and I was learning how to use Horizon at the same time. At lunch time the gentleman left me with a manual, a massive manual in all fairness, very comprehensive. He told me that everything I needed to know was in the manual but I should ring the helpline if I got stuck and they would be able help me. And then he went, and that was that. I'd done no balancing whatsoever, because this was only during a morning on a normal day. I wasn't frightened of the equipment in anyway, so I wasn't too concerned about that. I thought, no, we'll give it a go.

8. By then I'd employed a part time member of staff as well. I had to show her what I had been shown, hoping that I was showing her the right things, obviously, because I had only had a couple of hours myself.

### **SHORTFALLS**

9. Problems began in the first week of using Horizon.
  
10. When people came in to collect pensions they would come in with a pension docket in a pension book. The pension docket would tell us the amount to give them. Under the old-fashioned system we would stamp it, tear it out and keep it. And that would account for the money paid out. Under the new system we barcoded the docket. Each day we had to send the dockets off to Ireland, so they would be out of the building. The only record we had left in the office was on the computer system in front of us, which gave a total of daily allowances. Before I sent the dockets off I checked to make sure what the computer said was what I had got, and it was, so I thought 'lovely.'
  
11. I did this each day as I thought it wouldn't hurt to do a bit of manual work alongside Horizon, just to make sure that I was doing it right and that I had not missed something out. Each day before I sent the dockets off to Ireland I would add them up on my calculator and compare my total with what it said on Horizon. I used a printer calculator, which I kept in the office and then just put the date on the top so that I would have my paper trail.

12. During the first week all the daily totals were right, the cash was right, and the customers had the right money, but at the end of the week Horizon showed I was £1,000 short. I could not correct the weekly total without changing the daily totals, which I knew were right, and the dockets had left the building. So I rang the helpline and explained the problem. I was simply told to wait for a correction notice. I said I'd rather not wait because I could see what the problem was. The woman on the helpline then told me that my attitude was all wrong, that I was 'anti-computer,' and that I should leave it for the computer to correct.

13. We carried on checking the daily totals manually for another week, but the following week the shortfall doubled exactly to £2,000. The daily totals were all correct, all the customers had had their money, and the cash on my manual side was correct, but the weekly total was now £2,000 short.

14. I rang the helpline again. I was concerned that I would not get a correction notice because the daily totals were correct, and I was sending the dockets off with the correct daily type-out. I was told not to be silly, that the system would rectify itself, that there would be teething problems on the roll-out and I should be patient. Every week the shortfall doubled. I rang the helpline every single week to say what was happening and that I could see it happening. I carried on doing the manual work because I could see the problem happening.

### **AUDIT AND INVESTIGATION**

15. By week six the shortfall had doubled again to £32,000. I rang the helpline and asked for something to be done, as I had not received any error notices. Two

days later I arrived at work and there were three people at the door. I recognised the auditor. I had been in the business for eight years by then and had had a few audits in the past in different offices, and it wasn't a problem. I did not recognise the other two people, but they said they were also auditors. To be honest, I was chuffed to bits. I thought great, we're going to get to the bottom of this. I told them straight away that I had had a problem with the new computer system from day one and had been calling the helpline.

16. One of the gentlemen went into the post office and did the audit. There was no room for me to go in or the lady who was with him. We just stood out in the stockroom, had a chat, drinking coffee, and then at about 10:30 he came out and he said yes you're £32,000 short. I said yes that's exactly what I've told the helpline. I also said I had put it to nil each Thursday in order to reboot the system and run a fresh week, as the helpline had told me to do. I told them I had all the written paper copies as well, but they said they did not want them as they could see what was happening.

17. The auditor then told me they needed to ask me more questions and that it would be better if they could do so at the Stroud Crown Office, 6 miles away, because there was more room there. They insisted that I go with them in their car rather than driving myself, saying that parking in Stroud was difficult. I was 29 years old and I thought, oh well, that that makes sense. On the way there the lady, who sat in the back with me, made comments about what a lovely area Chalford was, and how expensive it must be to live there. I said my partner and I could only afford a

small shared ownership properly as houses were so expensive, but we wanted to settle as he was born in the area.

18. When we arrived at Stroud Crown office I was taken through a side door to a little room with a key code on the door and recording equipment on the desk. I walked in and the door locked after me, and they were in the room with me. I was told that the interview would be recorded. When I asked why, the man said 'I don't actually think you realise the sort of trouble you are actually in.' I said 'well I haven't done anything.' He told me to stop messing around, saying he was ex-CID, that he had met people like me before, that I should stop lying and stop wasting his time. He said he knew I had stolen the money and all I needed to do was to tell him what I had done with it. I said I hadn't taken a penny and offered both mine and my partner's bank statements, and also tried to tell him that I knew what was causing the problem. He said 'no, you dont'. This went on continually, and I kept repeating myself. I then said that I thought I needed somebody there with me. I was told that I would only need someone if I was worried, or if I was hiding something. I did not want them to think I was guilty so I agreed not to have anyone with me.

19. The interview continued until quarter past four in the afternoon. I was locked in the room throughout, with nothing to eat or drink. Eventually they said they would drive me back as they were not getting anywhere. They said they knew I had taken the money, they would get to the bottom of it, and they would ensure that I never ever step foot in that building again. And so, they dropped me off outside my post office and took the keys. I couldn't get into the shop or the post office at

all. I had no access to my paperwork, my till, all my stock - everything was locked in.

20. So I drove home, absolutely hysterical. I was terrified and did not know what to do. As soon as I got home I rang my partner and my Mum and told them what had happened. They arrived within minutes, and told me to calm down, saying of course I hadn't stolen any money and it would sort itself out. But I was frantic about what we were going to live on. Steve, my partner was a self-employed tree surgeon at the time and his work was sort of hit or miss without the shop and my post office salary.

### **SUSPENSION AND TERMINATION**

21. I then received a call from the subpostmaster, who told me that the Post Office investigators had been to his house and had told him to suspend me, or they would go after him instead. He could not cope with that, as he was a 74 year old man who lost his wife of 48 years just four and a half months previously. I thought it was an awful position to put him in, but I understood that he had to suspend me. He also told me that the shop had to stay shut until the Post Office contacted him - I was not allowed to go in and get my stock.

22. About two weeks later he told me that the Post Office had been in touch and told him that he had to sack me. When I asked why he said he did not know. He told me that the Post Office had also said I had to empty the shop, although I was not allowed in the building myself. So I arranged for my partner and a friend to go up on the Saturday morning and empty the shop completely. I had nowhere to store



the stock and had to dump a lot of it in the end. A friend also managed to sell some of the stock at a car boot sale so we would have some money to live on.

23. I wasn't allowed in the post office. I wasn't allowed to take any paperwork whatsoever – including my hand-written records. That all had to remain. The cash register and everything we purchased had to stay, even though we bought all the shop fittings, the brand new flooring, all gone. So that was the end. That day everything ended.

### **HUMAN IMPACT**

24. I found out from my partner's grandmother that an article had been published in the local paper saying I had been stealing money from pensioners. We hadn't told her about what had happened as we knew it would upset her. My photograph was also published. I told her I hadn't been charged with anything, but the whole town heard about it. On one occasion as I was leaving Tesco's two women spat in my hair. When I walked into shops it felt that the whole place would go silent and so I landed up not going anywhere. I just stayed in. I didn't leave the house at all. Eventually my husband spoke to my doctor and told her what was going on. She put me on antidepressants straight away.

25. On my doctor's advice I decided to get a solicitor. We applied to the Post Office to get all my written paperwork back, and for access to my branch. The Post Office completely refused to supply anything. We then requested a copy of the recorded interview record. They refused to give me that as well. Later, when I

joined the JFSA, I applied for the interview record again but was told that it had been destroyed.

26. I was stuck in a place where everybody knew I was innocent but we had nothing to prove that. That was my element of hope as well, as there was nothing to prove I was guilty either, so I felt I could not give up.

27. About 12 months later I received a letter from the Post Office charging me with theft and fraud. In the end they had charged me with theft of £24,000 as they had found £8,000 of the shortfall.

28. By then we'd started not to pay our bills, not to pay the mortgage, and we were getting into debt. We decided to sell the house before the Post Office could take it and so we sold it at a loss to get a quick sale. The forensic accountant worked out it was something like £68,000 cheaper than the going rate for that house at the time. However, we sold up within a fortnight, paid off as much as we could, and moved into my Mum's. At that point we had lost everything – the house, the business, the future as we knew it had gone.

29. Steve then said he thought we should get married anyway. I felt that I couldn't face getting married, but he said he wanted me to know that he was going to stand by me no matter what because he knew I was innocent. And so we paid £27, went to the registry office and got married with no party, no honeymoon, no dress, no photographs, no nothing. I could not pretend that everything with the Post Office wasn't going on, but I felt that Steve deserved acknowledgement for choosing not to walk away when he could have done.

30. Steve came with me to my last solicitor appointment before we went to Stroud Magistrates Court and I had to put in my plea. I pleaded not guilty. My solicitor asked to meet us as he was going to have to refer my case to a barrister, as the case was then transferred to Gloucester Crown Court. We had a meeting on a Thursday night, it was tipping down with rain, 20 years ago. And my solicitor said 'look, you've got no evidence whatsoever, I think you will go to prison. You're looking at up to seven years in prison, and you need to acknowledge it and realise that.' While we were walking home Steve asked me what I wanted to do. He said we could just end it now, both of us together, take the pills that the doctor had given us, go somewhere nice and I would never have to go through this. And I told him that, well, that sounded quite good. I liked that idea.

31. Then I thought, that would mean leaving everybody. My Dad was in hospital at the time, and my Mum wasn't coping well. I've got two sisters and a brother, and my brother's two year old was poorly. I knew they would not be able to deal with this on top of everything else. So I told Steve I thought we would have to wait until my Dad was alright. And so we didn't do it.

32. The following April I received notification that my case had been transferred from Gloucester Crown Court to Bristol Crown Court. My solicitor had found a barrister who said he would see me on the day of the trial and he would discuss things with me when I got there.

33. I remember the trial like it was yesterday – even the music that was playing on the radio in the car on the way there. The Post Office had arranged for two witnesses to give evidence against me – the subpostmaster and my part time employee. They hadn't been allowed to speak to me at all once they'd been told that they were now Post Office witnesses, which really upset me because they used to be my friends. But as it happened, they might as well have been my witnesses because they were so lovely, and said they knew I hadn't done anything wrong. Meanwhile, nearly a year before I was charged I had given the Post Office every bank statement of mine for the last four years, and Steve's even though he was nothing to do with it, so they had all that information and could see exactly how I paid for what, and how I paid bills and everything else. The Post Office also called two elderly customers as witnesses, who simply confirmed that they collected their pensions from the Post Office.

34. My turn came on the afternoon of day two. I had to sit separately from everyone else with two prison wardens next to me. When I got into the witness box the Post Office's barrister went absolutely berserk. He chucked a bundle of Pension dockets at me because he was getting so annoyed. My barrister had told me to go in, to say what I knew and nothing more, and not to try to solve problems with the Post Office's case for them. And so every time the Post Office's barrister asked what I had done with the money, I told them that I did not have the money. He said 'well, you must have had the money. We all know you've had the money. You've gone on holiday for a week. The Post Office paid for that. So why don't you just tell us you've had the money.' I said 'I've not had any money.' He said, 'do you know what this is?' It was a docket in a plastic clear bag. I said 'yes that's

a pension docket.' He said 'you duplicated those yourself so you could take the money. You've made them pay out to people, but you didn't pay it out. You popped it in your purse.' I said 'no I didn't.' I told him that the daily totals were right and I had evidence to show that, but I couldn't access it. And he replied that he was not interested in what I said as the computer was the most high-tech equipment you could wish for, and no one else had had any problems with it. He insisted that I should just say what I had done with the money so they could all go home.

35. When the judge came to sum up after 3 days he told the jury to study the evidence that had been put before them and decide what crime they could actually see had been committed. And I felt that he had believed me. The jury went off for about an hour and came back with a unanimous verdict that I was innocent. And the judge told me I could go.

36. I left the court and fell to my knees in the corridor. This was 2 and a half years after everything. I didn't know what to do, so I was absolutely howling. And then everyone came out of the court room, we hugged and then I rang my Mum, because she was at the hospital with Dad, and told her they had believed me and I was coming home. My Dad was allowed to come home from hospital for the evening and it was special. It was special for all the wrong reasons. But it was special. So that was then the time to start rebuilding.

37. Steve got a new job which he's still at now, 20 years on, which gives him a steady wage each week. I got a job with social services arranging care packages for

people to live in the community safely, and I did that for 15 years. Meanwhile, two years after the verdict, I had a baby.

38. After the pregnancy it was discovered that everything was diseased inside, so I had to have a radical hysterectomy. I could have no more children after that, so I was going through the menopause, at 36 years old.

39. I also developed fibromyalgia. I was still on the antidepressants from day one and on them today. I got arthritis in all my joints, osteoporosis in my joints. I then lost the joint in my left foot in my big toe, which had to be fixed back on my feet with steel bolts. Two weeks after my son was born, my Dad died. So he's never seen the accomplishments through the courts or anything like that. Although he knew I was innocent. So that's the most important thing.

40. Health wise, by the time I was 48 I had to retire from work because I was falling over all the time. I've got no feeling in my left foot at all because the main nerve going into the foot was damaged when the joint was replaced. I broke my ankle recently, and the two ligaments in my foot recently, falling over again. So I'm at home now. My husband still works hard, because I have never been able to get back to work fully due to my health problems. In the end I took ill health retirement at 48 years old.

41. Meanwhile, in 2014 I contacted JFSA and heard about hundreds of other people. The Post Office was proven wrong in 2002, the court said I hadn't stolen any money, and yet no one stopped and thought they should see what had actually

happened. They just carried on prosecuting everybody and sent people to prison. I was proved innocent but the Post Office just walked away. I never was compensated for anything. I paid a couple of thousand pounds to my solicitor and was entitled to Legal Aid when my case went to the Crown Court, and the Post Office just walked away. I was found not guilty. They carried on and learned nothing from it. I find that ridiculous, that they didn't even stop and think well actually, if it wasn't her, then who was it? So I decided to join the JFSA to fight this.

42. When I watched Judge Fraser's final judgment on Horizon I turned to Nick Wallis straight away and said 'the Post Office has won.' As far as I was concerned, paying £57 million meant that they had won, because they owe billions for what they have done and the thousands of people they have done it to. And then I was told after that, by the time we paid the legal fees and investors £45 million had to come from it, but the investors wouldn't give us any more money. We had run out of money, which to me was the Post Office's plan from the start. And so we, you know, our steering committee of two people had to settle for what they offered, which was £57 million.

43. I was told that I could bring a malicious prosecution claim (please see exhibit 3), but that is not the point. There are so many people out there who were not prosecuted. One lady I know gave them £92,000. She sold her house, they did not prosecute her, and so she's got absolutely nothing. But she was in the JFSA. There are hundreds like that who have sold everything to give back these shortages. To me that is daylight robbery because the Post Office has never given that money back. They put the money from these ghost shortages into

their suspense accounts, they then go to the government annually and declare their profits, and then the government spend the money. To me, the government has spent stolen money from victims. They cannot say they had nothing to do with it because they had two people on the board every single year. Paula Vennells has also said that she put everything she decided to do she put to the board, and there were eight other people there who had to agree it. There were legal people, the head of Post Office's security team, and two members of the government. I think it is awful that Paula Vennells is getting blamed solely for what happened because hundreds of people were involved in this.

44. I received £9,500 from the settlement agreement, which does not cover anything.

I was furious so I decided to get legal representation and bring a malicious prosecution claim. I then found out that the Post Office had insisted on a clause in the settlement agreement which prevents anyone who was not convicted, including me, from bringing a malicious prosecution claim. Their attitude was that victims like me have already been dealt with, while those who were convicted had not. Our compensation was within the £57 million (please see exhibit 4). And yet, people who have been convicted also had a share of the £57 million.

45. That was the end of the road for me officially, but I genuinely believe that a malicious prosecution claim is a malicious prosecution claim, not a malicious conviction claim. I do not understand why the Post Office has had the right to bend the judicial system again and say they will not bother with the victims who have not got a conviction. It feels to me that they purposely excluded those who



were found innocent. If I had gone to prison I would have a claim. Because I fought them, I am getting penalised.

## **CONCLUSION**

46. What would I like the Post Office to do now? How will I be able to get closure? I'm one of the odd ones, and I think it is because I was not found guilty, but I find it pointless to go after the people who created this nightmare because there are hundreds involved. And I genuinely believe that. The judges who sat back and watched people go to prison? The evidence was not there. All the barristers that represented these people, what were they playing at? We are talking two prosecutions every week for 13 years. Not one person stopped and said, why? Why did this happen? To me, they are all responsible. The people who sat on the board. They were reaping rewards out of money that they never, ever should have had. MPs, wives, husbands. They are all responsible. If the victims wait and want to see every single one of them prosecuted we will still be here in 20 years time because too many people are responsible. This cannot be nailed on one person because they all colluded in it together – and we know that by Fujitsu saying what they knew. They were changing the figures. So we know, Fujitsu knew, we know the Security Team knew because of the Clarke advice and suggestion that they shred every bit of evidence complaining about the Horizon system, and all the CEOs that have ever been since 2000. The list goes on and it will not be possible to prosecute all of them.

47. Thank God for the likes of Alan Bates, Nick Wallis, Judge Fraser. Now I think the only thing we can wish for is laws to prevent in-house prosecutions happening

again. We have got a sound police force, we have got good barristers out there. We have got a good judicial system out there, a system that we like to think we could believe in again. So why can't we leave it to the professionals? And if the Post Office suspect anybody of a crime, they should go to the right people who are qualified to investigate a crime properly, so that each case can be assessed on merit. If the law is changed because of this, then what a great thing to achieve for the victims.

48. I also think we want to be properly compensated. Everybody, without great big divisions between people. It should not be down to the Post Office to dictate the compensation scheme – they are the guilty ones.

49. The people who are responsible for this have to live with it. If they can live with it, then no punishment is going to work for them. Now they need to live with what they have done, and let us live our lives. I'm 52 now. I was 29 when this happened. If I don't get on with it now my whole life will be Post Office. My 16 year old's mum has always been 'Post Office woman' - he's never known any different. I've been fighting the Post Office since before he was even born, and now he's at college himself and we're still fighting the Post Office.

50. So I want the day to come when I am never going to mention the word Post Office again. I'm going to enjoy my life, sit back and relax and have some fun. I still believe that day will come, when, I don't know. But that is what I'm hoping.

**Statement of Truth**

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

Signed **GRO**

Print full name: NICHOLA ARCH

Dated: .....15 March 2022