

Witness Name: Mr John Kenneth Macaldowie

Statement No. 1: WITN0607

Exhibits: none

Dated: 05/09/2022

IN THE POST OFFICE HORIZON IT INQUIRY

WITNESS STATEMENT OF Mr John Kenneth Macaldowie

I, Mr JOHN KENNETH MACALDOWIE will say as follows:

Introduction

1. I am grateful to the Chair to be invited to provide a statement concerning my involvement in the case of my former subpostmaster son, Keith Macaldowie, regarding the Horizon IT system and Post Office Limited's actions toward him.
2. I confirm that I have read the witness statement of Keith Macaldowie of the 14 March 2022. My statement addresses events and issues within my own knowledge and experience.

Background

3. I am GRO and qualified as a member of the Institute of Chartered Accountants of Scotland in 1968.
4. I was awarded an honorary LLD degree by Glasgow Caledonian University in 1997 for, inter alia, work involving family business mentoring.

5. Until my retirement on 30 April 2004 I was the senior forensic accounting partner of BDO Scotland, a large accountancy firm.
6. My experience as a forensic accountant included acting as an expert (for both prosecution and defence) witness in cases of professional negligence, fraud, personal injury, business valuations and partnership dispute cases, and I have given evidence in both the Court of Session and Sheriff Courts in Scotland and also in the Commercial Courts in London and Cardiff.
7. Since my retirement from BDO, I have appeared as an expert witness at a Joint Disciplinary Accountants Scheme case, also involving accounting negligence. I also appeared as an expert witness in a high profile case involving the Royal Bank of Scotland and a firm of Chartered Accountants, Bannerman Johnstone Maclay.
8. I have always enjoyed my profession, as accountancy is logical. At its simplest, 2 + 2 make 4. I have worked with accounting systems for some 40 years, both paper based and computer based. As a senior forensic accountant I have been involved in numerous investigations of accounting irregularities involving persons, companies and other bodies.
9. An adequate accounting system records all transactions, in and out. As such, if problems arise with an adequate accounting system, these can be identified, reconciled or rectified.
10. Should a problem arise or, for example, an individual or organisation be accused of mishandling or misappropriating monies, an adequate accounting system can provide evidence of wrong doing. Conversely, an adequate accounting system can provide proof of innocence or other cause of an irregularity. My work as a forensic accountant and expert witness centred on, inter alia, analysing transactions in accounting systems and the application of accounting and auditing standards in transactions.

Experiences with Post Office Limited

11. My son Keith Macaldowie was the subpostmaster in Greenock from 2006 until 2011.
12. Keith had a number of problems with the Horizon IT system reporting shortfalls in his post office's accounts.
13. I first became aware of Keith's issues with Horizon in 2009 when a £5,000 shortfall was found. Keith told me of this incident. He told me that he did not understand how this shortfall had arisen. Keith had to borrow money from his mother in law to pay this shortfall.
14. In November 2011 Keith's post office was audited. The auditors maintained that the Horizon System showed a shortfall of £9,312.81. Keith was suspended at this audit.
15. Keith came to my home that evening. He broke down and was crying. He could not understand how this shortfall had arisen. Keith was certain that neither he nor any other person could have taken this sum. Keith told me that he had tried to find a reasons as to how this shortfall had occurred, by going into the Horizon System.
16. Keith explained that the problem was that there was no way of checking the cause of the shortfall using the Horizon System. Normally with any accounting system, computerised or otherwise, you can go back through entries in the records to identify where an irregularity has arisen. However, the Horizon system did not provide this basic functionality for Keith. For example, one could not print out the transactions in a format that allowed one to interrogate the data and identify the cause of a discrepancy. This was a serious deficiency in the system.
17. Keith told me that the Post Office auditors said that he would be called to a formal meeting. I told him that I would accompany him, as I believed I could assist given my background in forensic accounting.

18. Keith found the audit and subsequent investigation deeply upsetting and during the Post Office's investigation into the shortfall, Keith's mental health deteriorated rapidly. His psychologist advised him not to attend a taped interview under caution with Post Office Limited investigators, scheduled for 7 December 2011.
19. I attended the investigation meeting with Post Office Ltd.'s investigators on 7 December 2011, along with a Mr Andrew Gilhooley of the National Federation of Subpostmasters. Keith came to the interview, but he stayed outside during the meeting.
20. I had previously attended a meeting with Andrew Gilhooley, of the National Federation. From my diary entry, I believe this was on the evening of 26 November 2011. This meeting occurred on a Saturday evening at a service station on the M8 motorway. We had agreed to meet half way between our respective homes.
21. Keith had contacted the Federation, as he needed their assistance as his representative organisation, so I went to this meeting with him.
22. At the meeting with Mr Gilhooley on 26 November 2011, he told me that in his view nothing was wrong with the Horizon System. He made it clear that he did not believe that the Horizon System could cause any errors to arise. The meeting was not helpful, as Mr Gilhooley gave no indication that he wished to, or intended to, support Keith. However, he said he would attend the formal meeting on 7 December 2011.
23. I attended the meeting on the 7 December along with Mr Gilhooley. Keith attended also, but was not well enough to enter the room and take part in the meeting. He was mentally and emotionally incapable of participating.
24. During the meeting I found Mr Gilhooley to be deferential to Post office Limited. Rather than seeking to represent Keith, Mr Gilhooley acted like a cheerleader for the Post Office, and was insistent that the Horizon system did not make mistakes. He said that the Horizon system had no errors and was robust.

25. I was deeply surprised by Mr Gilhooley's attitude and conduct, as he was supposed to be attending the meeting to represent Keith. I could not understand why Mr Gilhooley was effectively acting for the Post Office. I felt that Keith's best interests were not represented at the meeting by Mr Gihoooley, and that only I was representing Keith.
26. Post Office Limited sent a Mr Glen Chester and a Mr Michael Stanley to be its representatives at the meeting. They were very matter of fact in their conduct. They made it clear that the Post Office records were clear and correct.
27. At the meeting I made it clear to the investigators that my professional background was as a forensic accountant. I asked to be shown Post Office Limited's evidence of the shortfall to back up their allegation that Keith was responsible for it. I specifically asked to see the Horizon records and transaction logs, so that I could examine them with the benefit of my experience. The Post Office officials told me that I was not entitled to see any evidence.
28. I had asked for the evidence as I wanted to carry out my own investigation and I wanted to review the evidence. I found the refusal to provide me with basic evidence, to which in my view Keith was clearly entitled, astonishing. It was totally at odds with my experience as a forensic accountant, and denied Keith the opportunity to defend himself from the allegation.
29. I told Post Office Limited's investigators that they must be the only organisation in the country, apart from HM Revenue and Customs where individuals are classed as guilty until proven innocent. I would emphasise that in the context of HM Revenue matters, there are robust appeals procedures in place to prevent miscarriages of justice.
30. The Post Office investigators told me that they did not like people like me who asked for such evidence. I found this very surprising.

31. I was told by the investigators that Keith had to pay the £9,000 shortfall. The investigators were only concerned with getting this sum of money, they showed no interest in 'investigating' what had happened or the cause of the shortfall.
32. I was astonished by what the investigators told me, and their disinterested attitude. It was clear that they were simply there to collect money, and not to investigate the cause of the shortfall.
33. However, I felt that if I protested too much, the Post Office would refuse to transfer the subpostmaster contract to [GRO] (Keith's wife at the time). If this happened, then Keith and [GRO] would lose their business and livelihood. I therefore felt constrained as to the protests that I could make.
34. I am usually a calm man and I do not lose my temper. I have appeared as a witness in court many times, and even when robustly cross examined, I have always been treated with professional courtesy. I therefore sought to hide my deep disquiet at the conduct of the Post Office investigators.
35. During the meeting I specifically asked the investigators how many other subpostmasters had suffered similar problems of unexplained shortfalls, and I was told by the Post Office investigators that no other subpostmaster had experienced a similar problem.
36. I accepted the investigators answer at face value, as I could not believe that a Post Office investigator would provide untrue information to a direct question.
37. This answer (that no other subpostmasters were experiencing problems with Horizon or with shortfalls) led Keith to believe that he was the only person who had experienced such unexplained shortfalls, and that he must be at fault. He became further depressed, as he felt that he had let everyone down.

38. I also asked the investigators about Post Office Limited's duty of care to subpostmasters (considering the severe toll that the investigation was taking on Keith's mental health) and the investigators simply shrugged.
39. I was astonished that the Post Office could conduct an investigation, regarding a shortfall of a large sum of money, and reach a determination, without allowing the accused party (Keith or his representative) to see the evidence supporting the allegation.
40. The investigators made it very clear during the meeting that if the shortfall was not paid, that they would take further action against Keith. I was left in no doubt that this included a criminal prosecution. Further, the Post Office investigators made it clear that if the shortfall was paid, and Keith resigned as the subpostmaster, no further action would be taken, including no criminal prosecution.
41. Keith and GRO business and livelihood were at immediate risk, and it was clear that the Post Office investigators were not going to permit any kind of investigation by me to assess the true cause of the shortfall. It was clear also that if we attempted to resist the Post Office Investigators demands, that they would dismiss and prosecute Keith for theft or fraud. I felt powerless, as did Keith.
42. As such, to prevent a criminal prosecution Keith borrowed the money to pay the shortfall. He also agreed to resign as subpostmaster. He took these steps under threat of prosecution. In my view the Post Office applied improper duress to force Keith to give them money and to force him to resign.
43. Having paid the money and having resigned, the Post Office allowed GRO Keith's then wife, to apply to be subpostmaster. This allowed us to protect the family investment.
44. I was truly astonished and disgusted by the conduct of the Post Office during this investigation process. In my professional view, there was no, or no adequate, investigation. Keith was denied access to basic evidence or the opportunity to defend

himself from the allegation. The Post Office acted as supposed victim, investigator, police office, judge and jury. The conduct of the investigation and the investigators was contrary to everything I would, from my long experience, expect to see in an adequate or fair investigation into a serious allegation of theft or fraud.

45. Further, if the Post Office truly believed that Keith had misappropriated this money, why were they willing to accept an application from his wife to continue as the subpostmaster? This made no sense. If they believed that Keith was a thief or a fraud, then there was no rational basis to allow him to have access to the post office, where he would naturally continue to work.

46. Additionally, the Post Office investigators were effectively acting in the capacity of police officers. If the Post Office truly believed that Keith was a thief or a fraud, then they had a duty to prosecute him, as theft from an employer is a serious matter. I cannot see on what basis they could or should have been content to simply obtain the money, supposedly misappropriated, and have Keith resign. A police office could not and would not simply demand money and a resignation and forgo a prosecution.

47. As I say, the conduct of the Post Office and its investigators was completely at odds with anything I had ever witnessed in investigations over my long career.

Conclusion

48. Despite my shock at the conduct of the Post Office, it was our aim, if at all possible, to have the post office contract transferred to my daughter-in-law, GRO and to avoid Keith being prosecuted. As such, I did not pursue matters further. In my view Keith was denied a fair process.

49. Following an application by my daughter-in-law shortly after the meeting with the Post Office Investigators, the contract was indeed transferred to her and thus saved part of

the family capital investment. The business was only viable so long as it had a post office.

50. Prior to the problems with the Horizon System and the actions of the Post Office, Keith was happy and hardworking, and he enjoyed meeting customers and dealing with people. He and **GRO** were happy and had a good business and a nice house. Sadly, these events led to the breakdown of Keith's mental health and confidence, it also led to the breakdown of his marriage and his life more generally.

51. These events had taken a heavy toll on Keith that has continued until the present day.

52. As a father I felt helpless. I have always been an optimist, and to see how Keith was treated by the Post Office, where he was accused of theft or fraud, denied the means to defend himself and compelled to make payments to the Post Office and to resign his position under duress, made me feel exceedingly frustrated. I wished to use my professional expertise as a forensic accountant to assist Keith, but was denied the opportunity to do so.

53. As a result of my long professional experience of fraud investigations over decades, I am sure that the conduct of the Post Office's so called investigation was entirely at odds with normal British standards of just conduct.

Statement of Truth

I believe the content of this statement to be true.

Signed **GRO**Dated...05/09/2022.....
Kenneth Macaldowie