



FORENSIC ACCOUNTANT'S REPORT
ANNE DICKSON



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Mr R J Clegg
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Our Ref: MF/bt

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Dear Sir

**BRADFORD & BINGLEY BUILDING SOCIETY
ANNE DICKSON**

Introduction

In accordance with your instructions I have now had the opportunity to consider the various bundles of documentation provided in connection with the above.

I refer to our terms of engagement as set out in my letter dated 24 February 2000 and as agreed with yourself.

I am specifically asked to provide forensic accountancy opinion having undertaken a full examination of the documents made available in respect of the transfer of Mrs Dickson's mortgage account from the Merseyside Building Society to Bradford & Bingley Building Society.

I am asked to consider whether the documents (as provided to Mrs Dickson by Bradford & Bingley Building Society) are genuine and authentic or alternatively, potentially fabricated.

Review

In 1980 Mr and Mrs Dickson received monetary advances from the Merseyside Building Society secured by way a mortgage secured on the property, Derbyshire Farm House, Westhead, Ormskirk. I understand the property was purchased by the Dicksons as an "investment property".

There appears to be some considerable uncertainty as to the "value" of monies received by the Dicksons, although the Merseyside Building Society's mortgage ledger of August 1980 (in the name of Mrs Ann Patricia Dickson) showed the following:

Advance:	£12,000
Interest rate:	17.5%
Term:	20 years
First payment due:	24 August 1980

It would appear that Mr and Mrs Dickson made only a few repayments. The mortgage ledgers throughout the first two years show an ever increasing outstanding balance. In fact by July 1982 the principal outstanding balance is stated at £18,042 (including interest). I understand Mrs Dickson denies every having made any repayments.

There is very little documentation in connection with this account except for the mortgage statements covering the period from August 1980 to July 1982.

There appear to be a number of repayments during the period from February 1981 to around August 1981; these being payments in the amounts of £100 and £200, from time to time.

The mortgage ledger statements show interest and fines being charged to the account throughout.

The mortgage ledger includes a column headed "check total" which, curiously, appears to run at a level of some £2,000 to £3,000 higher than the outstanding account balance. Based on the documentation available I am unable to offer an explanation as to what this particular column represents or why the amount exceeds the outstanding account balance.

I also note that "fines" were charged to the account in December 1980, February, May and July 1981, but nothing was charged during the subsequent period to August 1982. Again, based on the documentation available I am unable to offer any explanation for this.

There follows a gap in the documentation from August 1982 until 1985 when the Bradford & Bingley took over Merseyside Building Society.

I am directed to consider a document headed "mortgage statement of account" showing a balance on account of Mrs A P Dickson, at 31 December 1985, in the sum of £28,166.27. This balance appears to have been derived from an "opening" balance at 31 March 1985 in the sum of £25,149.93 to which interest has been added. First of all I assume that this mortgage statement has been issued by Bradford & Bingley. I would naturally assume, therefore, that according to Bradford & Bingley's accounting records, an account balance of £25,149.93 was taken over by them on acquiring Merseyside Building Society, although I believe this to be a point of some contention. On the face of it, I would have to say however that an account balance in 1985 totalling some £25,000 would not appear unreasonable given:

- a) an outstanding mortgage balance of some £18,000 as at August 1982;
- b) continuing accrual of interest during 1983 to 1985; and
- c) no repayments.

Mortgage statements continue for each year thereafter throughout the period to 1997, when the account balance is reported at a level of £111,675.76.

I am then referred to a second document (which appears to be a computer generated document) which I am told was produced by Bradford & Bingley Building Society in connection with Mrs Dickson's account. The computer print-out is dated 2 February 1987 although there is no clear indication on the document as to its precise source. Nonetheless, I am told that it was generated by Bradford & Bingley Building Society in connection with queries relating to Mrs Dickson's account.

This document raises an inconsistency which cannot be explained by the documentation available. It suggests that the term of the mortgage account ran to March 2005. The original account taken out by Mrs Dickson was for a 20 year term period from 1980 (i.e. to the year 2000). Whether there had been any formal rescheduling of this account is not clear.

A further mortgage statement issued by Bradford & Bingley for the year ended 31 December 1985 confirms Mrs Dickson's closing account balance at that date in the sum of £27,166.27. This statement details the remaining term of 19 years 1 month (which I assume runs from 31 December 1985). Again, this is inconsistent with other documentation.

As I have already mentioned, from the documentation I have examined I am unable to confirm if there had been any formal rescheduling of Mrs Dickson's loan account, perhaps as a result of earlier non-payment.

Concern has been expressed to me regarding the apparent fluctuations in the precise term period of Mrs Dickson's advance. I would agree that, based on the documentation examined, there does appear to have been a change in the term period although the documentation does not allow for a proper understanding as to why this is.

I have also been directed to consider the annual returns of the Merseyside Building Society and, in particular, disclosure therein relating to "mortgage arrears". It is suggested that Mrs Dickson's account had not been taken into consideration when producing the figures included in the return. In particular I note the building society's annual return for the financial year ending 31 July 1984 which discloses arrears (on mortgages with payments of more than 12 months in arrears) for 6 mortgage accounts with a total of £3,477 in arrears. Given my earlier comments as to Mrs Dickson's accumulating interest it is not unreasonable to assume the arrears on Mrs Dickson's account would have been considerably higher than this figure. This would, therefore, on the face of it, appear to suggest that Mrs Dickson's account had not been taken into consideration when preparing the annual return. However, it is not possible to specifically confirm this in the absence of precise details as to the composition of the building society's arrears figure at that time.

Summary

The documentation available in this matter does suggest inconsistencies with regard, in particular, to the term of the advance. There is insufficient documentation to allow for a proper explanation as to why the term was apparently changed.

It also appears somewhat unusual that, almost from day one, hardly any repayments were made by the Dicksons. There is some evidence of repayments going through in "round sum" amounts in the early months. This raises the obvious question as to what action the building society had taken at this time. It would certainly appear unusual if they had chosen to take no formal action which is the suggestion that has been made to me. Again, the documentation is insufficient to allow for a proper understanding of the circumstances.

Perhaps also connected to the above is the question as to why fines were imposed during the first year but then appear to have ceased during the second year? Again, these are questions which can only be answered conclusively from the building society records, if available.

It has been suggested to me that this account may have been "written off" in the books of Merseyside Building Society (prior to acquisition by Bradford & Bingley). There is no documentary evidence to confirm this to be the case.

There is also a suggestion that Mrs Dickson may not have received "full value" of the amounts advanced in 1980. Again this is not a matter in which I am able to comment owing to the extremely limited documentation available.

The main concern I have from an accountancy viewpoint is this. Clearly, over the years since 1980, the amount outstanding, based on the original advance of £12,000, has grown to quite a considerable figure by the mid 1990s. I understand the outstanding amount was subject to recovery by the building society following re-possession and sale of the property. I would advise that any outstanding sum claimed by the building society should be subject to strict proof and a proper audit/scrutiny thereof by an investigating/forensic accountant.

The building society should be in a position to prove any amounts claimed, and from my examination of the documentation available (certainly in respect of the earlier years) there may well be some doubt as to whether they would be in a position to do so.

In order to protect Mrs Dickson's interest my advice would be to commission a thorough examination of all documentation available in order to satisfy Mrs Dickson as to the correctness or otherwise of amounts being claimed as due from her.

I trust my initial advice in this matter is helpful. If you need any further explanation or clarification on any matters raised in this report then do not hesitate to contact me.

Yours faithfully



Mark Fairhurst
Forensic Accounting Partner

Observations based on a review of documentation provided to PKF

FILE 1 - "Account 1 August 1980 to 31 July 1982"

- 1) The Merseyside Building Society mortgage ledger (marked page nos. 20 and 21) includes the following repayments,

	£
26/11/80	125
03/02/81	100
19/02/81	200
16/03/81	100
06/04/81	100
24/04/81	100
15/06/81	100
23/06/81	100
09/07/81	150
16/07/81	150
04/08/81	150
14/08/81	100
	1,475
2/08/81	(100) negative repayment
	1,375

We are advised that Mrs Dickson denies making any repayments whatsoever.

- 2) We have checked the mortgage transaction history and can confirm its arithmetical accuracy.
- 3) However, we have noted interim adjustments to interest charges that either increased or reduced the annual charge.
- 4) A handwritten note on page 21 indicates the annual interest charge at 1 August 1982 to be £2687.00. This does not agree with the annual interest charge on 1 August 1982 quoted on the Bradford & Bingley statement for the year ended 31 July 1983 at £1876.66 (see document 2 file 4). It is not clear who was responsible for the handwritten interest figure.
- 5) The carried forward total as at 31 July 1982 of £15354.50 (see page "21" file 1) does agree to the brought forward total as at 1 August 1982 on mortgage statement for year ended 31 July 1983 (see document 2 file 4).

FILE 2 - "Establish 25 year term"

- 6) The 1985 mortgage statement (document 1 file 2) describes the outstanding balance brought forward from the Merseyside Building Society as at 31 March 1985 as "date of advance 31/3/85", rather than the original date of the advance on 1 August 1980.
- 7) This assertion is repeated on the computer printout of document 2 file 1 which states "date opened 1/4/85". This printout also states the mortgage's "terminal date" to be 28 March 2005 (ie. a 20 year term from 1985).
- 8) Tax letter to Mrs Dickson from Bradford & Bingley Building Society dated 14 November 1995 (see document 1 page "133" file 1) confirms that no record of the mortgage can be found in the Society's records "prior to 1995".

The explanation given is the "1984" takeover of the Merseyside Building Society by the Bradford & Bingley Building Society.

Observations based on a review of documentation provided to PKF

9) **The term of the mortgage is the subject of several contradictions.**

The year ended 31 December 1985 Bradford & Bingley mortgage statement states the "remaining term of repayment" at "19 years 1 month" (ie. redemption in January 2005) (see document 2 page 7 file 4).

The original £12,000 mortgage advance was made on 1 August 1980 for a 20 year term (ie. to 31 July 2000).

Document 7 file 4 is described as a mortgage statement covering the period 1 August 1984 to 31 March 1985. This states that the remaining term as at 31 March 1985 was "20 years 7 months". This is in clear contradiction of the originally stated 20 year repayment term (from the date of the original advance on 1 August 1980).

- 10) The "statement of mortgage arrears" for 1985 and 1986 (see document 4 file 2) indicates that "subscriptions" (ie. repayments) amounting to £528.00 had been credited to the mortgage account "in advance at merger" (ie. prior to 1 April 1985).

However, there is no record of this £528.00 being credited to the mortgage account.

- 11) The arrears carried forward as at 31 March 1985 (£1520.00) (see document 4 page 13 file 4) is not brought forward as at 1 April 1985 according to the "statement of mortgage arrears" (document 4 page 14 file 2).

Full arrears are brought forward as at the date of the merger (1 April 1985) which may suggest possible restructuring?

- 12) According to the 1986 Bradford & Bingley mortgage statement, as at 31 December 1986 the remaining term on the mortgage was 8 years 1 month. Given the monthly repayment of £761.30, the total repayment would be $£761.30 \times 97 \text{ months} = £73,846.10$.

This is less than the balance outstanding as at the year end date of 31 December 1986 according to the mortgage statement (£104,664).

FILE 3 - "Errors in B&B's accounts"

- 13) MIRAS was granted on the mortgage in year ended 31 December 1985 (see document 2 file 3). We are told the property was purchased as an investment property. Therefore MIRAS should not have been granted.

FILE 4 - untitled

- 14) The Alsop Wilkinson letter dated 19 April 1985 states that the Merseyside Building Society "documents were destroyed in April/May 1985 ie. before the transfer of engagements" to Bradford & Bingley Building Society.

- 15) Two fines of £153.50 each were charged to the mortgage on 17 July 1983. This may indicate a duplication of the fine. The word "duplicate" is handwritten on document 2 file 4, but it is not clear whether this was done by Bradford & Bingley or by Mrs Dickson.

- 16) Mr Clegg suggests that actual figures applied to the Merseyside Building Society mortgage prior to 31 March 1985 should have been ascertainable from documentation and computer records held by the Society.

We have no information or evidence on this.

- 17) Furthermore, Mr Clegg asserts that, in his opinion, no mortgage was transferred from Merseyside Building Society to Bradford & Bingley Building Society in the name of Mrs Dickson.

Again, we have seen no information or evidence to confirm this assertion.

Observations based on a review of documentation provided to PKF

- 18) Document 7 file 4 includes a handwritten note stating "beginning of year arrears - £11,230.09". This is contradicted by the computer generated note on this same schedule stating "arrears b/w/d £0.00".
- The schedule also indicates that "arrears outstanding" as at 31 March 1985 amounted to "£1,520.00". This figure does in fact agree to the "statement of mortgage arrears" after an adjustment described as "arrears reduced as per Merseyside" of £592.00 (see document 4 file 4).
- 19) Document 7 file 4 confirms the original mortgage was advanced on 1 August 1980 for a term of 20 years.
- 20) The photocopied Bradford & Bingley computer printout dated 13 October 1986 marked "continuation" (document 8 page 2 file 4) refers to a repayment ("rep") of £1,997.60 on 1 October 1986.
- Our advice from Mr Clegg is that Mrs Dickson does not make any repayments whatsoever.
- Cross-referring to the 1986 mortgage statement at document 9 page 7 file 4, this particular amount is described more specifically as "fines recorded".
- The photocopied Bradford & Bingley printouts dated 2 February 1987 and 13 October 1986 (both filed at document 8 file 4) state that the mortgage was "opened" in 1985 and its "terminal date" is in 2005. This, once more, is in contradiction to the original date of the mortgage advance in 1980 for a 20 year term to end in 2000.
- 21) Documents 9 file 4 represent annual statements of the mortgage account covering the period from 1 August 1980 to 2 October 1986.
- We have summarised the transactions noted on our separate schedule.
- Document 9 page 121 file 4 contradicts with document 9 page 7 file 4 in that the debit of £1,250.00 in 1986 is ascribed differently on these two documents.
- On the former it is described as a "miscellaneous debit", whilst on the latter the narrative "disputed pmts removed" is used. We assume "pmts" is an abbreviation for "payments". The latter document also includes a date for this transaction (20 June 1986) written in pencil possibly by Mrs Dickson.
- 22) The 1985 mortgage statement at document 9 page 6 file 4 covers the period during which the Merseyside Building Society was taken over by the Bradford & Bingley Building Society (as from 1 April 1985).
- This statement notes the "date of advance" of £25,149.93 as being "31/3/85". This suggests that the Bradford & Bingley Building Society may have treated Mrs Dickson's mortgage as a new advance with effect from the date of the takeover of the Merseyside Building Society, rather than treating it as a transfer of the original mortgage.
- 23) We have no information on the basis of calculation of the fines levied.
- 24) We have no information as to whether the other charges and interest levied are accurate and/or reasonable.
- 25) The letter dated 19 June 1987 from Bradford & Bingley Building Society to Mrs Dickson's MP (Mr Colin Pickthall) (see document 15 file 4) states that it was on 1 February 1985 that the Merseyside Building Society transferred its business to the Bradford & Bingley Building Society. This contradicts other sources stating that this transfer took place on 31 March 1985.

FILE 5 - "Minute of order of Judge Maddocks and B&B's list of documents"

No comments required.

FILE - "Annual Returns 1980 to 1985"

Annual returns of the Merseyside Building Society from year ended 31 July 1981 to 31 March 1985

No comments required.