



## Business, Innovation and Skills Committee

Oral evidence: [Post Office Mediation](#), HC 935

Tuesday 3 February 2015

Ordered by the House of Commons to be published on 3 February 2015.

Witnesses including written evidence where submitted:

At 9.30am:

- Andy Furey, Assistant General Secretary, [CWU](#)
- Mark Baker, National Branch Secretary, Postmasters Branch, [CWU](#)
- George Thomson, General Secretary, National Federation of SubPostmasters
- Alan Bates, Chairman, Justice for Subpostmasters Alliance
- Kay Linnell, Chartered Accountant, Kay Linnell & Co

At around 10.30am:

- Paula Vennells, Chief Executive, [Post Office](#)
- Angela van den Bogerd, Head of Partnerships, [Post Office](#)
- Ian Henderson, forensic computing expert, Advanced Forensics (Second Sight Ltd)

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Members present: Mr Adrian Bailey (Chair), Mr William Bain, Mr Brian Binley, Paul Blomfield, Katy Clark, Mike Crockart, Caroline Dinenage, Rebecca Harris, Ann McKechin, Mr Robin Walker, Nadhim Zahawi

Questions 1-173

Witnesses: **Mark Baker**, National Branch Secretary, Postmasters Branch, CWU, **Alan Bates**, Chairman, Justice for Subpostmasters Alliance, **Andy Furey**, Assistant General Secretary, CWU, **Kay Linnell**, Chartered Accountant, Kay Linnell & Co., and **George Thomson**, General Secretary, National Federation of SubPostmasters, gave evidence.

[Q1 Chair: Good morning and thank you for agreeing to help us with our inquiry. We have quite a few questions and not much time, so I will crack on. Before I do, please will you introduce yourselves for voice transcription purposes?

**Andy Furey:** Andy Furey, Communication Workers Union.

**Mark Baker:** Mark Baker, Communication Workers Union.

**George Thomson:** George Thomson, general secretary, National Federation of SubPostmasters.

**Alan Bates:** Alan Bates, Justice for Subpostmasters Alliance.

**Kay Linnell:** Kay Linnell, forensic accountant, adviser to JFSA.

**Q2 Chair:** Thanks very much. Some of the questions will be person specific and others will be general, but please do not feel that all five of you have to contribute to an answer unless you have something material to add. I will start with a fairly general question. The issues between sub-postmasters and the Post Office on the Horizon system seem to have been ongoing for some years. Have all those issues been resolved? If not, what is still outstanding?

**George Thomson:** May I start? Horizon came in in 2000-01—that was the original training kit that all postmasters got at the time. I think it was set up originally in 1997 by both the DSS and the Post Office, and it was meant to do two things—this is very important: to migrate benefits and to automate the Post Office counters network. It was set up to be able to deal with 17 million benefit books in '01-'02, so it was a very high specification and a very strong system.

I think that, over that 13 or 14 years, it has performed exceptionally robustly. Systemically, it is very strong. However, there are one or two issues where money went missing and postmasters have felt that it had to be Horizon, while in a lot of cases it could have been errors or, in fact, members of staff misappropriating money. Over the 15 years, the Horizon system has been fantastically robust. It was set up to deal with 17 million benefit transactions a week plus everything else—so a very strong system from day one.

**Q3 Chair:** But you said there were errors and it had to be Horizon, if I heard you correctly.

**George Thomson:** Well, for example, if a sub-postmaster happens to end up being £30,000 short—I made this point to Pat McFadden many years ago when he was Post Office Minister—they think, “Well, I know that I never took that money, so it has to be a Horizon mistake.” That is the postmaster’s point of view. However, a member of staff could have misappropriated the money or actually done the transaction wrong.

A perfect example would be that someone comes in from a small business, running a pub, and they say to the clerk in the morning, “Put £1,000 into my account.” The member of staff inadvertently puts £10,000 in the Horizon system on the computer. That member of staff is part of a team balance, so she does not have an individual stock—she may finish at 1 pm—and then the second member of staff who is doing the dailies at 5 pm sees a figure of £10,000 and accepts that as being correct.

My point is that if there is a keying error, where someone should have put through £1,000 but puts through £10,000, then all of a sudden that office will have a shortage of £9,000. Sub-postmasters sometimes think that the problem has to be the Horizon system when in effect it was mistakes by members of staff or misappropriation.

I accept that there are cases where some of the training could have been a bit better, but I have brought along an original Royal Mail migration pack to show you. Every postmaster in Britain in 2000 and 2001 had one, and this is mine because I was a postmaster then. This was full of training materials, so from day one the Post Office has taken this extremely seriously. This is 14 years old. It contained training materials for how to operate Horizon, because it was a big switchover from a manual system to a computerised system that the Government helped us pay for and equip.

**Q4 Chair:** I cannot see the contents of that pack, but I must admit that if someone handed me that and told me that it was my training, I might run a mile. Perhaps I could bring in Alan, because I can see that he is shaking his head. He is in a better position to challenge this.

**Alan Bates:** I was also involved with the training at that point when the system came in, and I was a sub-postmaster then. I had one and a half days' training, my staff had one day's training and I believe that the regional people who worked for the Post Office had two and half days' training.

I, too, received a 500-page pack to take away and learn how to use the system afterwards. That is how it was dropped on everyone. I had five members of staff who did training at that session. One of them had never even turned on a computer before, but she did a day's training and then she was certified as being sound and correct and fine to use the system at the end of one day. It was madness; she had no idea what she was doing. Staff were just abandoned at that point.

**Q5 Chair:** Okay. Andy?

**Andy Furey:** I welcome the opportunity to give evidence to the Select Committee, so thank you for the invitation. First, overall we think that the Horizon system has served the community, the Post Office and the wider electorate very well, but that does not mean that it is perfect.

There have been some problems with the system, primarily from postmasters, particularly in small post offices where the technical support may not be so good and where the electrical and telephony systems might not be as robust as you would want them to be. We are not coming in here to criticise the Horizon system: indeed, it is on its way out now. Its shelf life is near the expiry date, and thankfully the Post Office is investing taxpayers' money in new systems. That is a positive.

Our concern overall is the hundreds of postmasters who seemingly have not had justice. They were dismissed for irregularities that were not down to them as individuals or their staff, and which are seemingly a problem of the system. We were pleased that the

mediation scheme was erected and set up, but we do not think it has delivered as it was envisaged to in the first place. We are concerned about the pace of the process of mediation, and the number of cases that seem to have fallen out of the process. Overall, we are not particularly happy with the way that the mediation scheme has been conducted.

**Q6 Chair:** So your complaint is more about the mediation than the actual scheme?

**Andy Furey:** I think it is that question of whether there are some glitches in the system that have created problems for some individual postmasters. Let me put this into scale. There are 11,500 post offices and 30,000 or 40,000 Horizon terminals up and down the length and breadth of the country, so this is not a wide-scale problem, but nonetheless it is a problem for the individuals who were impacted, who have lost their livelihoods.

**Q7 Chair:** Okay. We will hear from Kay and Mark, but please make it brief because I want to move the questioning on a bit.

**Kay Linnell:** A couple of points are pertinent. One is that when the Post Office moved to a computerised system in 2000-01, they did not amend the contract between the sub-postmasters and the Post Office. The individual SPM remained totally responsible for all gains and losses, but they were no longer able to check each and every transaction because there were no slips.

My understanding is that the Post Office had to pay for metadata from their contractors Fujitsu. This meant that when a shortage or overage arose and SPMs tried to investigate it and asked the Post Office about it, there was an extreme reluctance to investigate each and every shortage or overage. When they made calls to the helpline supporting them, these were not dealt with, or were marked with low priority. I have done this from empirical evidence on a couple of cases.

**Q8 Chair:** We are going to go on to this in a minute.

**Kay Linnell:** But you asked if all the complainants were satisfied. I believe none of them are.

**Mark Baker:** Apart from representing postmasters nationally, I am still a serving sub-postmaster. I have been doing the job now for 27 years, and 10 years prior to that I was working for the head Post Office. Horizon was introduced for a specific purpose: mainly to fulfil the wishes of the DWP to have more automated process for pension allowances.

Horizon could also do other things in its early days, but its basic requirement changed as the DWP changed their requirements and the Post Office needed to use Horizon for more commercial reasons and had developed application upon application upon application. They had more and more data centres talking to each other, exchanging information. It is a very chaotic, behind-the-scenes set of circumstances in IT terms. We have mentioned training; the training started off reasonably good, but as the system evolved there was no back-up training

of any adequacy. Postmasters are just sent manuals and are expected to not only teach themselves but have to teach their staff as well. So training is a huge issue.

Mr Thomson alluded to human error. There will always be human error when humans interact with computers. However, what has been systemic and consistent throughout Horizon's life is the failure to recognise that parts of the infrastructure could be to blame for some of these discrepancies occurring.

The Post Office failed to recognise that they needed to drill down into each and every kind of discrepancy—whether that was a surplus or a shortage is irrelevant: it is a discrepancy; and refused to look at their system and analyse, “Is it fit for purpose in the modern day? Is it independently audited by accredited IT professionals?” It was not supporting the postmasters—the ones that find themselves in the JFSA group—or looking into their cases. Why has that happened over the years that Horizon has been in life? That very much is the core reason why we find ourselves here today.

**Chair:** Okay. I think you have partly answered the next question, but I am going to bring Caroline in, and no doubt she may want to develop it.

**Q9 Caroline Dinenage:** As the Chairman said, I think we have got your views on this, but in a nutshell if you could say: Second Sight's 2013 interim report gave a preliminary conclusion that there was no evidence of system-wide or systemic problems with the Horizon software. Can you just tell me—yes or no, really—whether you believe that this remains a fair assessment of the system's functioning?

**Mark Baker:** Personally, I do not believe that that is the case any more. I think there are a lot of areas which have been highlighted since Second Sight issued their first report. I have the benefit, because it was issued to one of my members, of reading their report that they prepare for the mediation scheme, where they are now highlighting lots of areas that have the potential to cause discrepancies.

**George Thomson:** I think systemically the system is very robust and I would just like to make a point that the CWU quite rightly represent Crown office staff, but Crown offices in the UK, there are about 330 or 340 left—very busy offices. They do about 16% of all the volumes of work throughout the post office network, and it has been around that for the last 15 years—slightly more: 17%, 18%.

If there was a systemic issue—and we represent 70% of all Britain's sub-postmasters; the CWU quite rightly represent mostly Crown offices and maybe about 100 postmasters—there would be big problems in the Crown offices as well. I cannot recall a single big issue where someone in Crown offices has blamed Horizon. If it was systemic, it would be a nonsense to suggest that the only time there are computer faults is to do with independent sub-postmasters or franchise sub-postmasters; and yet there does not seem to be any noise at all that has developed with the Crown offices over 15 years. That is very strange, given they are doing 16% of all the volumes.

**Alan Bates:** One of the few documents that has come to light in all of this is a 2007-08 internal report from the Post Office, which showed that the Crown offices lost £2.2 million across their counters that year. So Crown offices do lose money.

The reason why the JFSA was set up was that the federation refused to support sub-postmasters in any cases about Horizon—it never once supported people in court cases or anything like that. It was just saying to people, “Right, you’re saying it’s a Horizon problem. Oh, I’m sorry. There’s nothing wrong with Horizon. The Post Office has told us there’s nothing wrong.” That is why the JFSA came about. Every one of our members wants their dues back from the federation because of its so-called support—or lack of support—over the years.

It is really frustrating to have to sit here listening to somebody who is meant to be representing sub-postmasters—it is like they are in a paid position in the Post Office.

**Q10 Chair:** Can you talk just about the issues? It is not about personalities.

**Alan Bates:** I am sorry. I get frustrated by this. I will try to come back to this later. I will leave it for now.

**Kay Linnell:** The only thing I would add is that Horizon is the entire system, not just the information technology—it is the selection of SPMs, the training for them and the support for them in the system. In terms of saying there is no error and nothing that has to be put right, I would like you to ask the Post Office in the next session what adjustments it has made to correct the errors it has found. There obviously were errors, because there have been corrections.

**Q11 Chair:** Believe you me, we will cover all the angles. We do not need panellists to tell us what to ask.

**Kay Linnell:** I beg your pardon, sir. It is just that this is a question of listening to a defence by the national federation of the Post Office side. Frankly, it is supposed to be representing sub-postmasters who have lost their livelihoods, their homes, their money and their reputation because of faults put at their door by the Horizon system.

**Q12 Chair:** Can you confine yourself to the issues we are talking about?

**Alan Bates:** In response to the question that was asked, a lot of water has gone under the bridge since the original report. There are far more facts to come out, which I am sure you will ask questions about later.

**Andy Furey:** This is in response not necessarily to the question, but to George Thomson’s contribution about Crown offices. The CWU represents members in the Crown offices. They are directly employed. The processes and systems in place provide more than adequate protection for those individuals we get full representational rights for. There is a

losses-and-gains procedure. It is fully acknowledged that there can be human error, and mistakes can be made, and people are dealt with under that procedure.

No Crown staff have lost their jobs directly as a consequence of Horizon problems, but I submit that that is due to the fact that the big Crown offices have much more robust telephony and electrical systems, as well as maintenance and regular check-ups of the system. It is difficult to compare a Crown post office, where you might have 20 tills, with a small sub-post office that is in a rural area and that has telephony problems and so on. Similarly, each counter clerk will have their own till, and the balancing arrangements are virtually daily. So, yes, George is correct to say that there have not been problems in Crowns, but, there certainly have been problems in very small rural sub-post offices.

**Q13 Chair:** Could it be said that, in effect, there is a system in Crown post offices that picks up errors and a balancing process that flushes these things out day by day?

**Andy Furey:** It is even more robust than that, Chair. If one counter clerk takes over the serving position of another counter clerk, you do a cash declaration and check the money at that point, because you are serving from the same till. At tea breaks and meal reliefs, there is a switchover. People do make mistakes, and the £2.2 million figure is correct. The Post Office, with our support, has been trying to improve that figure, but people do make mistakes. This is about what you input into the system. Generally speaking, you can find those errors in the course of the working day and take whatever steps you need to rectify the problem.

**George Thomson:** I agree with what Andy said. He talked about putting measures in place to help with human errors, whereas Mark said 10 minutes ago that the system was systemically faulty. I do not believe the system is systemically faulty. A lot of this is down to people making errors. Andy is right about the Crown offices having different processes in place, which make the detection of human errors easier. That is the only point I am making.

**Q14 Caroline Dinenage:** To your knowledge, are sub-postmasters continuing to experience the issues that have been previously reported?

**George Thomson:** The big problem I have is this. I have been active at the top of the federation for 15 years. My colleague Mervyn Jones, who is our commercial director, has been for a long time as well. We were talking about this yesterday. We have been to hundreds of sub-postmasters' meetings over the last decade. We represent 7,000 sub-postmasters; it was more than that when the network was bigger. If there was a systemic problem and you are doing 6 million transactions a day, with 60,000 people using the system every day—it was 100,000 10 years ago, when the network was bigger—we would be absolutely inundated.

Because we knew we were coming here, we asked the executive council about the number of incidents where they have been asked about Horizon and it was faulty. It is tiny. In the last two weeks, a sub-postmaster phoned up Shoreham. He was going ballistic. This is to do with publicity, and it is starting to damage the brand, so we have to be careful. He was a postmaster between '96 and '98, and he was ranting and raving at me along the lines that we have let postmasters down, as was said 10 minutes ago. I do not accept that for a minute. He

knew that it was Horizon. He lost his job and was thousands of pounds short. I let him go on. I said, “Now, are you absolutely certain about the dates?” He said, “Yes. It was ’96 to ’98.” I said, “Well, do you realise that Horizon wasn’t introduced until four or five years after that?”

We have to be careful that we are not creating a cottage industry that damages the brand and makes clients like the DWP and the DVLA think twice. We do £350 million a week. We pay out £18 billion a year for the DWP in Government benefits. The DWP would not have re-awarded the Post Office card account contract, which pays out £18 billion a year, in the last month if they thought for a minute that this computer system was not reliable.

I understand that Mark, for the right reasons, has genuine feelings about it, and Andy has as well. But if we are not careful, we damage the brand, we damage the franchise and we cost my members’ ability to sell the franchise. If we lose big contracts, Andy’s members lose their jobs as well. So we have to be careful that we do not create a cottage industry that is built on supposition.

**Chair:** Okay; I think we’ve got the point. Several Members indicated that they have supplementary questions. Brian, I think you were first.

**Q15 Mr Binley:** I used to be an area manager for pubs—a lot of pubs. There is a real similarity in the problems you are talking about because if you employ staff, money—unless you are very careful—walks out of the front door on two legs, quite frankly. It is not difficult to analyse where the money is being lost.

There are some big sub-post offices which employ a few people, but many of them are a husband and wife team or, to be modern, two partners running a business together. Those are really very small businesses. What analysis has been done on that basis? That would answer the point that I think you are making, Mr Thomson, which is that where staff are employed, people can walk out the door and can make mistakes that are very difficult for the sub-postmaster in charge to manage. What analysis has been done in that respect?

**Kay Linnell:** May I take that one? The problem that the members of JFSA and the complainants have is that the analysis and evidence has not been produced. Using your pub analogy, the landlord has access to all the accounting records; he can see when cash is missing. What has happened with the small sub-postmasters is that, even where there is only the SPM operating the tills, money has gone missing which is outwith their control.

For example, if cash collection is picked up and remitted to head office, it is sometimes not logged against them in head office and a shortage arises. Sometimes, an entry goes through—a transaction correction or credit—and they do not know about it. Although the sub-postmaster is personally responsible to pay cash, they are not aware of how the differences have arisen. If this mediation scheme had told the complainants—the applicants—where the money had gone, there would be a lot of settlements, but we still do not know. The accounting is outside the SPMs’ control.

**Q16 Mr Binley:** But how can the sub-postmaster be responsible?

**Kay Linnell:** Because, under the contract with the Post Office, they are responsible.

**Q17 Mr Binley:** No, I am talking about reality. Forget how the Post Office tied it up. How can they be responsible if they are not in control of their business in the way that you have just described?

**Kay Linnell:** The problem is that under the contract they are responsible, and that is why they feel aggrieved.

**Q18 Mr Binley:** I know that. I am talking about in reality. How can they be expected to be responsible when in fact they do not have the tools to carry through that responsibility? Is that the nub of it?

**Kay Linnell:** That is absolutely the key question.

**Chair:** We will be coming on to that when we talk to the Post Office.

**Q19 Mr Walker:** I want to come back to something that Andy Furey said about this potentially relating to issues with telephony and connections, particularly in the more remote and rural sub-post offices. Is that something that the JSFA recognise as part of the issue? You are nodding. If it is, surely that is something that ought to improve over time as branches get upgraded to better telephony, as we get the roll-out of rural broadband. Is there any evidence that that is being addressed through those types of upgrades?

**Kay Linnell:** I think that's a question for the Post Office. We have evidence of historic failures. A lot of the connections on very complicated things like ATMs were done through a mobile phone connection, which sometimes dropped before both ends of the transaction were captured. Historically, that is the problem. I do not know what the Post Office have done to fix it or whether they are working with British Telecom or some provider. Theoretically, we hope it would improve.

**George Thomson:** I am not sure, from what I have heard today and from what I have read, that it is okay to say that it only affects smaller offices, which is what some of the witnesses have said. I think that some of the offices that went into mediation are quite large offices. It comes back to the Crown office point. The interfacing between all the systems are the same for the Crown offices as they are for the rest. That point has to be made. I do not think that the people who are bringing their cases forward are in exclusively small offices. It is not just about broadband; I accept Robin's point. It would be interesting to know, if the figures are there, how many are really small offices and how many are quite large. You have to be consistent in your argument and not just pick and choose what you think is a good fact for any particular point.

**Mark Baker:** I have a lot of experience in another life in IT network systems working over virtual private networks, and I have been doing a lot of research into data flow disruption. Horizon just produces packets of data. It has to be transmitted, and it needs a secure network over which to be transmitted. The ADSL lines are not interleaved. If you do

not interleave an ADSL line and put other equipment on it, you run the risk of disruption happening to the data flow.

Power can cause the same kind of disruption. The infrastructure in branch has not been maintained at all since it was introduced. The power lines have never been checked. The plugs have never been PAT tested. The trip control switches, which are designed to protect the electrical circuitry, have never been looked at since the day they went in. I have no idea whether they still work, so what damage can power surges and power outages cause.

The interaction of Horizon when it loses its ADSL connectivity for whatever reason and defaults to its modem is another area of concern to me. We are doing highly encrypted secure banking transactions on a mobile phone chip, and that is a recipe for disaster. In the rural areas, it will be worse than in the urban areas. Urban areas get the same problem, but in the rural areas, you are a long way away from your BT exchange. The signals are not always very good if you have to go on to the backup through the modem, and it is a recipe for disaster. This is not only my opinion. Second Sight have raised this issue, particularly if you read the report that they have provided to the mediation scheme.

**Andy Furey:** It is a lot less technical than that. First and foremost, the vast majority of people working in the post office network, irrespective of what the post office is, have great integrity and want to serve the public. By definition, there will always be some bad apples in the barrel. Thankfully, they are generally caught and they hold their hands up and acknowledge that they have stolen money. What has happened is that hundreds of postmasters are saying that they have not done that; money has gone missing that they cannot account for, and they have declared those losses, which they then are responsible for making good. Now, you are not going to steal money and declare a loss that you then have to make good. There may be occasions when an employee of the postmaster might have stolen money and, of course, the postmaster cannot be accountable for that person who has been dishonest, but the reality of the contractual arrangements is that the postmaster has to make good that money. The root of the problem is that there is no proper procedure and we have some contemporary issues.

**Q20 Paul Blomfield:** I want to ask Mr Thomson a quick question. Your unconditional endorsement of the Horizon system seems to broadly concur with the Second Sight report conclusions. Do you agree with its conclusions that the Post Office's response to the problems that emerged was "unhelpful, unsympathetic" or "fail to solve the underlying problem"?

**George Thomson:** There could have been some better training. I accept that. In my opinion, three things happened. Training is one thing, and some people have just got a few things wrong.

**Paul Blomfield:** So you do not think that there was an attitude or culture problem in the Post Office's response, which is what the Second Sight report found?

**Chair:** We are actually asking a question on this in a few moments, so perhaps we could just move on. Mike, your question has been partly answered. Do you want to add anything?

**Q21 Mike Crockart:** Yes, I want very briefly to try to get a feel for the size of the problem because we are talking in generalities here. Andy, you just said that hundreds of postmasters have had this problem. How big is the problem? How many postmasters have reported incidents?

**George Thomson:** Mike, I will put it in perspective over the whole 15 years. At one time, 100,000 postmasters and their staff were dealing with Horizon every week on the computers when the network was bigger; that is down to 50,000. It has always been a tiny amount. Going on to Paul's point to put it together, some of it is training. A small element is that—

**Q22 Mike Crockart:** As the Chair said, we are coming on to that in a minute. I am trying to get an idea of the size of the problem. You said that it is a small number—what does that mean?

**George Thomson:** It's tiny, because you are talking about something in the region of more than 30 million transactions every single week. It used to be about 60 million transactions.

**Q23 Mike Crockart:** The question was: what number of postmasters are affected by this? Perhaps I can turn to somebody else.

**George Thomson:** Tiny.

**Alan Bates:** During the 12-week period in which the mediation scheme was open, we had 150 people apply for it. Since then, probably a similar amount have been trying to get into the scheme, but it is closed. Before that, the JFSA was going for maybe two or three years and we had probably a similar amount. There are still people finding out about all of this all the time, so it is a growing number. There is a definite number of people.

**Q24 Mike Crockart:** How much of that—people finding out about it and the number growing—is, as George outlined—

**Alan Bates:** Jumping on the bandwagon?

**Mike Crockart:** People saying, “Oh, I had a problem; it must be to do with the Horizon system.”?

**Alan Bates:** The whole point of the scheme—it is not purely the software that we are talking about. Everyone seems to homing in on the computer system. It is about the support package that works with it. It is the training and the lack of investigation. The Post Office

never investigate cases if a sub-postmaster has an issue. If they raise that they have a problem, they suddenly get landed on by Post Office's audit and, more than likely, they will be thrown out or even charged afterwards. That is what has gone on in the past. I think they are trying to change it these days, but I do not know how successful because two or three new people a week call me, and these are serving sub-postmasters having problems as well. There are ongoing issues.

**Kay Linnell:** In truth, nobody knows the answer to your question, to be absolutely honest. If you talk to anybody who has served in one these smaller, independent SPM branches, you will see that there is a succession of people who have had problems with the hardware, the software or the support, and there are unanswered questions as to why the differences arose—small or large. It is that not knowing how the difference arose for which they are responsible that has, frankly, driven some of them to the edge of sanity.

**Q25 Mike Crockart:** There are 150 in the mediation system and roughly 150 that you know about that would have liked to, but have missed the boat.

**Alan Bates:** And there are more coming along.

**Chair:** We are going on to the mediation system now. Can I bring in Paul?

**Q26 Paul Blomfield:** There are 150 in the mediation system. The information we have been given is that the vast majority of those have not been resolved. Some 110 are still in the system. Do you think that is satisfactory? What would you have expected should have been achieved by the mediation system by now?

**Alan Bates:** When the scheme was originally set up, I think it was hoped that it would move along at a far quicker pace than it has. The amount of work that is needed—

**Q27 Chair:** When was it set up?

**Alan Bates:** The original scheme was launched in August—

**Kay Linnell:** 2013.

**Alan Bates:** It was originally launched in 2013 and it closed on 18 November that year. There were thoughts that it would be a matter of weeks for the Post Office. I think the Post Office allowed four weeks to look at cases and investigate them, whereas it has been taking them four, five, six or seven months to investigate a case. Second Sight is also taking not quite as long, but it is certainly taking considerably more time to investigate these cases. So it is taking far longer than was thought. One of the problems is trying to get hold of information. I think people have been struggling to get hold of information from Post Office and from Fujitsu down the way to investigate records. No, it is not satisfactory how long it has taken. You are quite right.

**Q28 Paul Blomfield:** I assume other people will concur with that—there are nodding heads. How effective do you think the working group has been in overseeing the scheme?

**Alan Bates:** I think it has changed. At the outset, the people who were involved with it, JFSA, Post Office and Second Sight, all thought we were doing one thing. We were heading in one direction. But since the scheme has moved forward, I think we are finding ourselves at odds with each other. People are becoming far more partisan in their approach. Post Office has gone straight to lawyer-based support and response to queries. So it has become very unsatisfactory.

**George Thomson:** Can I just say, Paul, firstly, 99% of postmasters are dead straight and honest? That is the first thing. But on this very important issue about mediation, I think it was probably the training. Some people believe that money went missing and it had to be Horizon where it was maybe staff error. But the third point, and this is contentious, and I would like to say this for a minute, the difficulty the Post Office must have is that some of the people are chancing their luck. I am going to give you a perfect example, which is not on our previous statement.

**Q29 Paul Blomfield:** That wasn't my question. My question was how effective do you think the working group has been in overseeing the mediation process.

**George Thomson:** The mediation is very effective. However, when you re-examine some of these cases and look at the mediation, it re-emphasises how robust we were in the first place.

**Mark Baker:** I have three members in the mediation scheme and from our experience, it is agonisingly slow. I have only got one member who got to the stage where he gets the Post Office response. That is the sort of thing they get. We are waiting for Second Sight's addition to this.

I do not know why Mr Thomson comments on the mediation scheme; he does not have any members in it. The scheme could do with some form of external body sitting on it that could perhaps keep the pace of progress going a bit faster and maybe offer a bit more of a robust challenge to the Post Office on some of the reasons it gives why things have to be done the way they are. There is a big area of improvement that could be introduced into the working group.

I would say this, wouldn't I? But I think the CWU has been an excellent advocate's body to go and act as honest broker in seeing fair play and getting this scheme working at an acceptable pace.

**Kay Linnell:** The reason the working group is not as fast at pushing this scheme through to mediation as it was, is because some of the goalposts have been moved by the Post Office. When we originally started the scheme—this is what was advocated to members at a training session in Birmingham in the summer of 2013—the presumption was that once they were accepted in the scheme, they would go through to mediation fairly quickly, having raised their issues, allowed the Post Office to investigate and respond, and Second Sight to do an overview recommending it go forward or trying to fish out the bad apples. The reason that

has not happened is because the Post Office had done a very thorough job of investigation—albeit half, I would say, of a report I have seen, so they cannot find the records to tell anybody what happened, because it is too old.

Second Sight have been very thorough in their further inquiries and investigation. At the working group, they are now taking a look at more than half the cases that Second Sight are looking at, to try and make a decision on whether they should go forward or not. The ones that have gone into mediation are a different issue, and it is not effective, but I don't think you asked me that. The reason the working group has slowed down is that the Post Office has changed the way in which it is interacting with the applicants represented by JFSA.

**Alan Bates:** Which is also something that JFSA has objected to, and it will not sit in on cases, because it was never the role of the working group to decide which cases went to mediation or not. The Post Office have made it so. They have now decided that all cases should go to the working group for a decision on mediation or not. We have always supported and agreed from the outset that if Second Sight, which is an independent firm, suggested or recommended that a case go forward to mediation, it should go. That is what should have happened. It is what the individuals involved were promised and what the paperwork said from the outset, but the Post Office have managed to skew it that all cases have to come into the working group to be discussed. We do not agree with that. We will not take part in that, and the only ones we will discuss are where Second Sight does not recommend that a case goes forward to mediation. We are prepared to discuss a case on that basis.

**Q30 Chair:** Can I be absolutely clear? A sub-postmaster with a problem that he wants to take to mediation applies to Second Sight—you are shaking your head.

**Alan Bates:** No, the scheme is closed at the moment. There is nothing they can do.

**Q31 Chair:** Well, when it was open—

**Alan Bates:** Yes, they submitted an application to the working group to ask whether a case could be heard or go forward. They were then accepted—150 cases were accepted for the scheme, and it is those cases that have been working their way through the scheme.

**Q32 Chair:** Yes, I understand that. This is what I am not clear on: my understanding is that Second Sight is the organisation that determines whether something should go through to mediation.

**Alan Bates:** That is our understanding of the way that it should be.

**Q33 Chair:** What is the role of the other parties, for instance, in the working group?

**Alan Bates:** Basically, it is to administer the scheme. Originally, it was to set up or formulate the scheme—to bring it together—and then to take care of the issues of driving it forward, making sure the cases were progressing all right, and dealing with any problems that came along.

**Q34 Chair:** You said they are not pulling together. Is that the justification for the Post Office closing the scheme or closing the process and then taking the litigious route?

**Alan Bates:** Well, it was only an initial scheme to start with. It was only open for 12 weeks, and it was thought that there would be something to follow up afterwards, but nothing has yet appeared. Inside the scheme, you are quite right about the cases, as they have worked through. That is the direction the Post Office seem to be taking with all cases. In fact, from what I am hearing from the membership who received these reports of their cases from the Post Office, basically the Post Office are saying that they have done everything right and the sub-postmaster did everything wrong. That seems to be the summary of the majority of the cases at the moment.

**Q35 Ann McKechin:** This is question for Alan Bates and Mark Baker. James Arbuthnot, who is in the room with us today, wrote a letter to Paula Vennells, in which he stated that “in recent months, the Post Office has been objecting to around 90% of cases going forward to mediation.” The Post Office, in turn, has stated to us that, of those cases so far recommended by the working group for mediation, the Post Office has declined to do so in just two, representing 8% of those cases. Which do you think is correct?

**Alan Bates:** I could go into figures and numbers and all the rest of it, but I do not think that is the important point. I would like to go back to my previous answer: they should not be discussed at the working group. They should go straight through to mediation if Second Sight agree that a case is suitable for mediation, so the figure, really, is not important.

**Q36 Ann McKechin:** It is not important to the gist of your argument. Mark, do you have anything to add?

**Mark Baker:** I will try to do my best to answer this question, but I am excluded from the mediation scheme. I am not allowed to get involved, and the Post Office will not have anything to do with us. It is my understanding that the 90% would be referring to the 110 cases that have yet to be dealt with. I am not sure where those 110 cases stand. I am led to believe that the team that was specially put together by the Post Office to do work such as this is now being stood down, so what will happen to these 110? Who will be investigating their claims that they have put into the mediation scheme? Have their claims already been dealt with by the Post Office? If that is the case, why are they not immediately given to Second Sight for their view? I think that is where the 90% figure came from that Mr Arbuthnot was referring to.

**Ann McKechin:** We need to have clarity. We will be questioning the Post Office later this morning, so we can ask them what is happening with the 110 cases.

**Q37 Caroline Dinenage:** Am I correct that you are all in agreement that the length of time to apply and go through the mediation scheme has been far too long? You are all nodding. With that in mind, what would you say would have been a reasonable time to expect cases such as this to have been concluded?

**Kay Linnell:** That is a very difficult question, because each case is significantly different depending on the age of the case, the size of the loss, what records have been preserved, whether there was a criminal conviction and whether a full investigation was conducted by the Post Office which can be produced and made available for Second Sight to review. Every case has been substantially different. The Post Office have put people on their own internal investigation team to try to produce evidence, and Second Sight as the independent reviewer must be given a chance on each and every case to try to draw their own conclusions. The delay has been in the quality of attempts to get to the facts. I do not know what the answer is regarding the ideal time. Ideally for the complainants, it would be very quick, but if you make it too quick, you do not do the proper and full review, so I do not know the answer to that.

**George Thomson:** In fairness to the Post Office as well, when you look at some of these cases, they are very complicated and the facts do not stack up. If you will bear with me, I will give you a perfect example of how difficult a particular case is. I will name someone, because they were talked about in a Westminster Hall debate in December. I made the point before that some people are absolutely genuine and believe that the money had to be Horizon and it was staff error. But there are some people who, quite frankly, are spinning a yarn here. Michael Rudkin is one of those who was talked about time after time. This is where it is difficult for me, because we do our best and we helped Michael Rudkin as well.

Michael Rudkin was initially suspended in 2008, and this comes up in Brian's point. We got him reinstated because his wife admitted that the discrepancy—Michael Rudkin never said it was Horizon in 2008—was because she had taken the £44,000 and did not tell her husband. So we got Michael reinstated. This is important, because he claims that it is Horizon now. His wife stole £44,000, and she admitted that. He was then reinstated because of the work that I and others from the federation did. He was subsequently audited again in 2010, and he was £6,500 short. It is only in the last year and a half that I have heard that he is now blaming it on Horizon—never at the time.

The point that I would like to finish on is that Mr Rudkin must be uniquely unfortunate when it comes to new technology, because there was a robbery in his office in 2005, when £50,000 went missing, and his CCTV camera happened to be broken. He is very unfortunate with new technology. I support genuine people, but some people are chancing their luck. Just to finish on that point—

**Q38 Chair:** You are quoting an individual case, and that individual is not in a position to rebut anything. I think, quite frankly, it is totally out of order. I would check on the legal implications of what you have just said.

**George Thomson:** It is true.

**Q39 Mr Binley:** It seems to me that this problem arises from the initial launch and familiarisation programme of a nationalised industry that did not get it right. That is the truth of the matter. It goes back to when they initially put this into effect. Did the Post Office, when it created this, set up special teams to give advice and training?

**George Thomson:** Yes it did, and it took—

**Q40 Mr Binley:** Hang on. That is fine. “Yes, it did”, is a good enough answer.

Did it then set up regional helpdesks and were they available to people?

**Alan Bates:** No.

**Q41 Mr Binley:** No regional helpdesks? We are talking about a national organisation with thousands upon thousands of branch offices, which expected this to be done by the issue of a pack, recognising that a lot of people who run post offices don’t or didn’t have English as their first language. This was badly planned right from the start. Is my conclusion correct?

**Alan Bates:** Yes.

**George Thomson:** No. I don’t accept that it is correct because we have trainers on the ground. The Post Office used to have a regional structure in the UK. It is only in the last 10 or 15 years that we have—

**Q42 Mr Binley:** Forgive me, George. I have asked about regional helpdesks. Let me ask a third question. Recognising that the turnover of staff in any nationwide business is sizeable, what continuing help was given to ensure that staff were familiar? It is no good just familiarising staff 15 years ago and then forgetting that you need to keep an ongoing training programme in place.

**Andy Furey:** To be fair, the Post Office was nearly right. We saw a massive programme on a large scale. When it was originally set up, there would probably have been about 18,000 post offices in place at that point. We have lost a lot of sub-post offices with successive Governments. With the scale of the volume of transactions—millions every day—you only have to have 0.001% of error and that is quite significant on those individuals. We need to put this into context. It is a robust system in many respects but there are small errors.

**Q43 Mr Binley:** I understand the system is robust. You have given me that answer. It is the people that matter. They are the element where the problem lies. It seems to me that that was not properly fully understood by the Post Office at the beginning. Can I take a vote on whether that is a correct view?

**Alan Bates:** Can I give you an example?

**Mr Binley:** No, I would like to take a vote. Who hears that as a correct view? Was the support and ongoing training good enough when this sizeable system was launched? Yes or no?

**George Thomson:** Yes.

**Andy Furey:** No.

**Mark Baker:** No.

**Alan Bates:** No.

**Kay Linnell:** No.

**Q44 Mr Walker:** I want to follow up on Brian's point and on some of the points raised by James Arbuthnot in the debate about calls to the national helpline not being answered and being dropped in some cases. If we accept that that is the case, do you feel that Post Office has changed its approach and has provided more training and support as time has passed? Do you feel that Post Office has improved things such as responding to those helplines?

**Andy Furey:** I think it has got worse, actually. Recently—last year—the helplines were moved to the Philippines and that has brought with it some more problems. Brian's point is about it not being originally set up as good as it could have been. I am more concerned about the contemporary problems.

**Mr Binley:** They go back to that point.

**Q45 Mr Walker:** George, you have defended Post Office's position on this. What do you feel about the approach over time? You have shown us the pack that came out at roll-out. Brian makes the point that a lot of staff and postmasters will have changed over since then. Do you feel that Post Office is doing enough to support people coming into this situation, including staff, not just sub-postmasters?

**George Thomson:** There are two things on that. Firstly, postmasters know, if your staff get it wrong, it hits you in the pocket. So, there are two ways that people get trained. Brian was talking about ongoing training as well. You can go into a Post Office classroom, if you are a new recruit, and you can get on the counter for a week or two; or you get hands-on training at the post office by the sub-postmaster or his partner. That is very rigorous.

Andy touches on a very good point. I have been critical of the Post Office internally over the decision to offshore the sub-postmasters' helpline to the Philippines. It is a nonsense of a decision. I will criticise the Post Office when it should be criticised. When a company has taken £160 million per year—a Government subsidy of British taxpayers' money—to offshore hundreds of jobs, or 30 or 40 jobs to the Philippines, it is a nonsense. I will kick the Post Office up the backside when it deserves it, but on Horizon, it has done nothing wrong.

**Kay Linnell:** May I add just one point? We are talking about support to sub-postmasters. One critical thing the Post Office has not done is produce a system for when they have a genuine concern about a short or an over—a difference—so that there is an independent third-party who can tell them why it happened. People today are still getting shorts and overs on a daily basis and still have no clue why the accounting systems that they can see do not balance. To my mind, that is the support that the SPM on the ground needs today. Helplines are all very well, but you get a person on the end who may log the call and mark it low priority. That doesn't help you.

**Mark Baker:** As a serving sub-postmaster, live, as we speak—I should be back at the branch, but I am here—perhaps I should tell you that training is generally received by serving sub-postmasters through the form of manuals. We call them Branch Focuses. They arrive every week and we read them to receive training and instructions on how to operate certain transactions. They are hopeless.

My wife prepared a 54-page dossier, randomly taking one month's selection of Focuses and highlighting all the misinformation and errors contained within them, which she sent to the board of directors. She did not get a single reply from any director. The file was passed on to a functionary further down the line, who made a hopeless job of trying to explain everything my wife was trying to point out. She was trying to point out that we are reliant on receiving the correct instructions in order to be able to operate Horizon and perform the transactions, and the people who are telling us how to do it cannot even get it right. That is the reality in the Post Office world as we speak today.

When it comes to the help desks, it is a mixed bag. If you want technical help you now have to ring someone in the Philippines. When they are not being blown to bits by typhoons there are language difficulties, including understanding the regional accents in this country. When it comes to transaction support and the helpline, it is a mixed bag as to the level of knowledge that the operators have. If they are ex-job they are pretty good; if they have been brought in and are just reading it off a screen, they are as good as the screen. As I have already alluded to, that information can often be wrong.

**Q46 Mr Robin Walker:** We all heard some of those concerns loud and clear, in particular about the helpline moving to the Philippines—that is something that we will probably want to follow up. The Post Office has offered financial assistance towards the cost of professional mediation advisers. How do you feel that has worked? Has the financial support been sufficient?

**Alan Bates:** Unfortunately it has turned out to be far too little. Earlier we mentioned that it was thought that the scheme would be a far shorter device and it would take only a matter of weeks for each stage to be gone through, but it has taken months and months. There is a contribution of about £1,500 towards the professional adviser for an individual. I did a straw poll of the advisers recently and more than half of them came back with responses. They said that a more realistic figure, having now undertaken the work, is somewhere in the region of £5,000 to £8,000—possibly £10,000—on average for these cases. That is even without the mediation element. Some of the advisers are so upset about the cases and their details that they are spending 30 hours on them quite happily—they are working away on

them because they have seen what has happened to people. So the advisers have been very good, but there is certainly far too little financial support.

**Q47 Mr Robin Walker:** Finally, may I ask each member of the panel what you think should happen next with the mediation scheme? What, if anything, can the Government do to help resolve the issues outstanding?

**Chair:** Briefly.

**Alan Bates:** There was my shopping list. First, Post Office has to be investigated—it has to become part of the investigation. It is trying to act as an agent and as everything—it is trying to control the information coming out, what is released and all the rest of it. It has to be investigated and taken out of the scheme, which Government have to take over. They really do. While Post Office is still sat there controlling all the information, we will never really find out the truth.

**George Thomson:** For a tiny percentage of complaints over a 15-year history, it would be nonsense for the Government to take over. Let's bring it to conclusion as quickly as we can. The cases that are in mediation, let's deal with them. Let's get out the way, let's move forward and let's try to make sure that Post Office has a decent future as a stand-alone company outside the Royal Mail group. Let's get on with that.

**Andy Furey:** I would suggest that the mediation scheme needs to be opened up for some of the contemporary cases that are ongoing today. I would ask the Post Office to withdraw any obstacles in the way of CWU representing postmasters. Mark gets lots of obstacles, such as lack of recognition for representing postmasters. The filtering through the working group to stop cases getting to mediation needs to be removed and they need somebody to bring some independence in the mediation scheme beyond the current people involved. Obviously, I would make a bid for CWU to be involved in that. It needs to be put on a more robust, firmer footing, with greater participation from all key stakeholders.

**Kay Linnell:** The initial complaint review and mediation scheme, with 150 cases in it, needs to be drawn to a conclusion by making the Post Office go back to the original brief and stop doing this legal defence thing. But I also think that a permanent, Government-based solution for new complainants to a third-party individual such as an ombudsman for future fault reporting, without any recrimination or redress from the Post Office on the person raising the complaint, is an essential way to go forward. We need something for future complainants to do, albeit that the MPs have been fabulous. It should not be necessary for somebody with a current problem to fall back on their MP and raise it in that way.

**Mark Baker:** I have to agree with what my colleague Andy said. We are an organisation that is excellent at advocacy and being able to sort the weaker claims out from the stronger claims; and we know how to work with Post Office. We know how to challenge it—we are not in awe of it, as some people are. We would make a valuable contribution to improving and moving the mediation scheme on.

If that cannot be achieved, I would support what Alan said: perhaps the Government should take it over and get it sorted out.

**Chair:** Okay. That concludes our questions: thank you. I always conclude my remarks by saying that if there is anything you wish to add as supplementary evidence, please feel free to do so. Equally, you may want to follow up with a question that we feel we should have asked, and we would be grateful for your response.

### **Examination of Witnesses**

*Witnesses:* **Angela van den Bogerd**, Head of Partnerships, Post Office, **Ian Henderson**, forensic computing expert, Advanced Foresnics (Second Sight Ltd), and **Paula Vennells**, Chief Executive, Post Office, gave evidence.

**Q48 Chair:** Thank you for agreeing to help us with our inquiry. I will repeat what I asked the previous panel: please introduce yourselves for voice transcription purposes.

*Angela van den Bogerd:* I am Angela van den Bogerd, head of partnerships, Post Office.

*Paula Vennells:* Paula Vennells, chief executive, Post Office.

*Ian Henderson:* Ian Henderson, chartered accountant, IT auditor and expert witness on forensic technology, director of Second Sight and a member of the mediation working group.

**Chair:** Again, don't feel that every person has to answer every question, although I appreciate that there may be different perspectives, and we would need to see those.

*Ian Henderson:* Chairman, may I make a disclosure point?

**Q49 Chair:** A disclosure?

*Ian Henderson:* Yes. In her statement to the House in July 2013, the Minister confirmed that Second Sight has been appointed on an independent basis to look into the matters raised by former sub-postmasters and some serving sub-postmasters. As part of that process, Post Office is paying our professional fees. However, we have taken exceptional care to make sure that, notwithstanding that payment, Second Sight has acted throughout—and continues to act—fully in accordance with its remit to conduct an independent investigation into the matters that we have been asked to look at.

**Q50 Chair:** Thanks. It was right to make the disclosure. It is equally correct to say that the perception is that you have carried out your duties in the way you just described, but we will obviously be questioning you about them.

The first question is to you, Ian. Can you summarise the key findings of your interim report on Horizon?

**Ian Henderson:** The most important finding was the recognition of the necessity to look at this much broader definition of Horizon. The previous session looked at the software elements, and reference was made to our finding of no systemic errors at the software level.

As a number of the previous witnesses mentioned, we need to go much further beyond that to look at the totality of the user experience, the multitude of interfaces that sub-postmasters and staff have to interact with. We need to look at the level of support that is available in terms of training and the help desk. That is the wider definition of Horizon that we have now adopted. Notwithstanding that, the Post Office disclosed to us that a number of software defects had been identified that affected 76 branches. It took some time for those defects to be identified—somewhere in the order of 12 months.

A feature of a number of the matters reported to us appeared to be the old and unreliable hardware that features in the Horizon system—old Horizon and new Horizon. We have heard about communication failures and the consequences of that. We have been advised that approximately 12,000 communication failures occur each year, and all of those can have consequences for sub-postmasters.

**Q51 Chair:** Could you define what you mean by a communication failure? Does nothing go through at all, or does something go through, but incorrectly?

**Ian Henderson:** It can be either or both of those scenarios. Particularly under new Horizon, the servers are located centrally. All the branches, and indeed Crown offices, have to communicate electronically with those servers. There are fall-back procedures. As has been mentioned, some rural branches have broadband and technology problems. Some of those branches also suffer from a poor mobile phone signal. Those are the two principal means of communicating transactions between the branch and the Horizon servers that are operating centrally.

**Q52 Chair:** A previous panellist identified, shall we say, potentially antiquated infrastructure and the difficulties you have just outlined. From your perspective, how meaningful is that in terms of the system's efficiency?

**Ian Henderson:** Failures are inevitable with that infrastructure. In general, Horizon has a robust recovery mechanism to cope with those failures. The cases we have looked at are primarily the 150 applications to the mediation scheme. They have shown that when there has been an unusual combination of circumstances—they are relatively rare, and I would emphasise the point made previously that, most of the time, Horizon works well—such as power and telephone communication failures, errors being made at the counter or some of the other errors that we have now highlighted and that we will report on in our next report, it is how the Post Office has responded to those that has contributed to the problem. This is partly about a lack of training, partly about a lack of support and, in particular, about a lack of investigation.

**Q53 Mr Binley:** Can I ask whether it is also about a lack of understanding of the real terms at the coal face by those in the top line of management?

**Ian Henderson:** We have seen no evidence of that, to be fair.

**Chair:** I am going to bring in Rebecca. You will have an opportunity to respond, effectively, through her question.

**Q54 Rebecca Harris:** First, to representatives of the Post Office, when Second Sight's interim report came out, the Post Office announced the mediation scheme, the working group and the new branch user forum. I would just like to hear your views on how well they are working. Do you think they are working effectively, or do you think there are weaknesses in the system at present?

**Paula Vennells:** I'm really sorry—when you asked the beginning of the question, there was another conversation going on, so I couldn't hear.

**Q55 Rebecca Harris:** What is your view of how well the mediation scheme, the working group and the new branch user forum are working? Are they delivering as they should, or are there weaknesses in the process?

**Paula Vennells:** First of all, I thank the Committee for letting the Post Office come along to this meeting. The reason why I am here is that this is seriously important. As you have heard, 136 cases have come into the scheme. We set it up with the ambition to find out exactly what those people are concerned about, because it is of concern to me and the Post Office that we do that. As we have gone through this process, we have found out a lot about that, and I will come on to talk about it. The other reason it is very important is that the Post Office is one of the most important institutions in the UK. We distribute £60 billion of cash across the economy and serve 17 million customers a week.

**Q56 Chair:** I think every MP, above all, knows the importance of the Post Office. In the interests of brevity, can you get to the nub of the question?

**Paula Vennells:** We are very grateful for their support. The point I wanted to get to is that the scheme itself has become very important. It is critical that we hear from people who have concerns about the system that they use day in, day out across the country. What we have seen from the scheme is that yes, as you heard earlier, it has taken longer than we would have liked. The reason for that—this is one of the benefits of having put the scheme in place—is that we have investigated every single case in the most thorough detail. We have been rigorous about this. As chief executive of the Post Office, I could not put this scheme in place and not do it properly. The system and the people who work in our branches are too important for that.

Perhaps, as Ian said and as you heard earlier, the most significant finding from it is that we can continue to have confidence in the Horizon system and how people are running post offices across the country. For me, that is critical.

**Angela van den Bogerd:** You asked about the branch user forum. I set it up over a year ago, and I chair it—

**Q57 Mr Binley:** Excuse me. When you get old, you get deaf. Could you speak up a little bit?

**Chair:** I don't know whether it is the microphone or what, but could you speak more loudly?

**Angela van den Bogerd:** I will shout at you. I chair the branch user forum, which I set up over a year ago. I asked sub-postmasters and our Crown colleagues to nominate themselves to come and join it. I have six sub-postmasters and two Crown members of staff on that forum. I think it has been very successful, and I have asked them and they think it has been very successful. The gloves are off in this forum, and we are very honest and frank. By their nature, they are very vocal, and they bring real examples to the table of what could be done better. As a result of that, we have made a number of changes to our processes, particularly a couple of changes to how the Horizon system works to make it more automated, so we reduce the risk of errors in branch. In a nutshell, it has been very successful to date.

**Q58 Rebecca Harris:** How do you respond to some of the criticisms we heard earlier, for example about how long it has taken to look at individual cases and the fact that the Post Office is in control of much of the data, or that some of the records are missing? Do you have any response to the criticisms we have heard on that?

**Angela van den Bogerd:** If I can answer that, I am part of the working group, and I have been the Post Office person who has been in there from the start until today. As you heard earlier, the investigation—the whole process of cases into the mediation scheme—has taken longer than we all anticipated it would, at every stage, from the applicant putting in their initial application, through to asking whether they want an investigation to Second Sight doing theirs. The one thing I would say is that, as Kay said earlier, these cases are individual cases and very complex. What we have wanted to do and are very committed to doing is a thorough investigation of each of the issues raised by each of the applicants to the scheme. That has been a very long process.

We have not dragged our feet. I have had 20 people working on this full-time for over a year. We have produced thousands and thousands of pieces of evidence in support of each of the cases that we have put. I would have liked it to have been quicker, but not at the expense of a thorough investigation. While I would have loved it to have been quicker, we have done a thorough investigation.

**Q59 Rebecca Harris:** Do you concur with what you have heard about the smooth running?

**Ian Henderson:** Yes. We heard evidence about this in the first session. I have spent a lot of the past 12 months, frankly, dealing with Post Office, requesting access to documents

that have been challenged, as I understand it, on legal advice. One issue we have been looking at relates to the Fujitsu office in Bracknell. We first requested documents relating to that in February 2013—almost two years ago. We have still not been provided with those documents. We are very concerned about the operation of the suspense account by Post Office. We have been asking for that information since July last year. Perhaps the most important failure to disclose to us is the full access to the legal and prosecution files. When this scheme first started we were given full access to those files. Again, presumably on legal advice, that access has been extremely restricted. We feel that this is a very severe constraint on our ability to conduct an independent investigation into what has happened.

**Q60 Chair:** Can you explain why this is so? Do you accept the comments that have just been made?

**Angela van den Bogerd:** May I respond? To go back to the first point, around access to e-mails that Second Sight requested a couple of years ago, we did provide the e-mails requested to Second Sight—a whole year's worth of e-mails, actually—but Second Sight have since asked us for another year's worth of e-mails.

**Chair:** Sorry, will you speak up again?

**Angela van den Bogerd:** We have previously provided a year's worth of e-mails that Second Sight requested. It is quite a large undertaking to extract that number of e-mails. Second Sight has since requested another year's worth of e-mails and we are currently working through that. What we need to do, in terms of data protection, is redact the personal information within those e-mails, and that is quite a long process.

**Q61 Chair:** That accounts for the time taken, but what were the other things you said they had not provided?

**Ian Henderson:** Can I come back on that? Unfortunately, the e-mails that were provided were for the wrong year. We were investigating a specific incident in 2008 and the year's worth of e-mails that we were given related to 2009. Therefore, it was not surprising that we said, "We have asked for 2008, please provide it." We have still not had that.

**Q62 Chair:** That seems an amazing error on your part, when I think of what sub-postmasters go through if they make an error. It is such a basic error for the Post Office to make.

**Angela van den Bogerd:** We provided what we were asked for at the time, so, clearly, there must have been some misunderstanding. We would not have pulled a year's worth of e-mails for a wrong year.

**Q63 Chair:** I want to follow this through. Could you provide the evidence to this Committee that you provided a response to the actual question and that it was not an error?

**Angela van den Bogerd:** Certainly.

**Chair:** Okay.

**Q64 Mr Binley:** I ask you directly, were you given legal advice not to allow these papers to be seen? Because that is the intimation. Were you or were you not? It is a yes or no question.

**Angela van den Bogerd:** Which papers are you referring to?

**Q65 Mr Binley:** The papers that Mr Henderson has just referred to.

**Angela van den Bogerd:** The e-mails? No.

**Q66 Mr Binley:** Were you given legal advice not to submit those, in the way that Mr Henderson has suggested?

**Angela van den Bogerd:** Other than our obligations under data protection, no.

**Q67 Chair:** Will you just outline the other issues?

**Ian Henderson:** Yes. The other two categories are, first, the suspense account. We know that every year Post Office takes the credit of its profit and loss account, generally a six-figure number, from a suspense account. The concern raised by a number of sub-postmasters is that some of those credits actually relate to transactions where they have suffered a loss. We have been asking for that data since July last year. We had a meeting with the new finance director of Post Office yesterday and we hope we will make some further progress, but it is already almost nine months since we first asked for that data. The final category, and probably the most important, is full access to the legal and prosecution files held by Post Office.

**Q68 Chair:** I understand that they did do that initially.

**Ian Henderson:** Initially, yes; but for the past year access to those files has been blocked.

**Q69 Chair:** How would you respond to that?

**Paula Vennells:** May I make a general point first about the accounting procedures? Post Office, especially importantly now that it is a separate independent business from Royal Mail, clearly accounts for its business in exactly the way that it should. We will this year comply—and be one of the first companies to do this within Government—with the corporate

code on governance in the appliance of our accounts. It is important to put to bed any implication that we are not accounting properly.

Another point on the suspense accounts and losses was made in the previous hearing. Any retailer has what they call shrinkage. It usually amounts to about 2% of their business. Ours is much less than 1%. The Crown losses are about £1 million. I will ask Angela to pick up on the specifics around the suspense accounting area.

**Angela van den Bogerd:** As Ian said, there was a meeting yesterday about the suspense account. We wanted to determine what information Second Sight sought about the cases they were investigating.

**Q70 Chair:** How long has that request been on the table?

**Angela van den Bogerd:** As Ian said, the request has been there since July in different forms.

**Q71 Chair:** So why has it taken until yesterday—

**Angela van den Bogerd:** No, we have previously responded to initial requests. Second Sight have come back and asked for further or different types of information. That is what we have been trying to get to. It is not that we are not sharing information; it is about understanding the format the information is in.

**Q72 Chair:** Would you agree with that assessment?

**Ian Henderson:** The response to a very specific question, detailing exactly what we needed, was made on 9 December. On 5 January the response from Post Office was that it was a disproportionate request for information and could not readily be provided. We regarded that as unsatisfactory, hence the follow-up meeting we had yesterday.

**Paula Vennells:** If I may say something, as there may be further questions on that. This is a really difficult one for us to deal with. We have 136 cases that we are genuinely trying to get through and resolve thoroughly, rigorously and as quickly as possible. Second Sight are independent; there will be disagreements about requirements for information at some stage. I do know that where we are able to we have shared everything we possibly can.

If it goes outside the scope of the scheme it simply extends the length of time it is taking. That is the reason that Ian met my new finance director yesterday. If this is something pertinent to resolving one of these individual cases, which we have done in detail, of course that information can be made available. It is difficult and what we are dealing with is very complex. Therefore, we need to be clear that we have understood the question that is coming through to us.

**Q73 Nadhim Zahawi:** Mr Henderson, did you ask for the e-mails from 2008?

**Ian Henderson:** Yes, we did.

**Q74 Nadhim Zahawi:** And you were provided with 2009 instead?

**Ian Henderson:** We were provided with 2009. We were told at the time that with the first batch there were some technology issues relating to the provision of the 2008 e-mails. Two years down the line, we still don't have those.

**Q75 Nadhim Zahawi:** You are saying that you actually asked for the correct ones, and you still don't have those?

**Ian Henderson:** Yes.

**Q76 Nadhim Zahawi:** On the legal side, on the prosecution files, when was that stopped? When did the policy change?

**Ian Henderson:** We have never been told formally that the policy has changed. When we were first appointed, we were told that the principle behind what we were doing was to seek the truth, irrespective of the consequences. We could look at anything that we felt, as an independent investigator, was necessary to conduct our investigation. Unsurprisingly, with cases that came into the early part of the scheme that involved a criminal prosecution, we were provided with full access to a small number of files. As further cases were accepted into the scheme, we unsurprisingly asked for full access to those legal files. Responses were to the effect, "Under no circumstances are we going to give you access to those files. You are entitled to the public documents that would normally be available to the defendant if the case had gone to trial." We felt it was necessary for us to review the internal legal files, looking at the depth of any investigation that had happened and possibly even legal advice relating to the prosecution.

**Q77 Nadhim Zahawi:** Paula, why don't you hand those files over? What is the problem?

**Paula Vennells:** The point I want to pick up first, if I may—

**Q78 Nadhim Zahawi:** No, answer my question. Why will you not give Ian Henderson those files?

**Paula Vennells:** As far as I am aware, Mr Zahawi, we have shared whatever information was appropriate on every single individual.

**Q79 Nadhim Zahawi:** That is not what Ian Henderson is saying.

**Paula Vennells:** It is the first time, personally, that I have heard that. I am happy to go away and have a look.

**Q80 Nadhim Zahawi:** He has said that under no circumstances could he be given those files. That is what you have just told me. Is that right?

**Ian Henderson:** We have not been given those files.

**Q81 Nadhim Zahawi:** You have been told by Paula's organisation that under no circumstances could you be given those files. Is that right or wrong?

**Paula Vennells:** Who told you that, Ian?

**Ian Henderson:** It came up at one of the working group meetings, at which you and I were present.

**Angela van den Bogerd:** I do not recall that conversation.

**Q82 Nadhim Zahawi:** This sounds like a shambles to me. You came in here and opened by saying the system was working beautifully. You now realise why you are in front of the Committee.

**Paula Vennells:** Ian said—he is quite right—that the reason we set up this mediation scheme was to get to the truth about this system. The system itself is working very well.

**Q83 Nadhim Zahawi:** But you have been obstructive. We are hearing from Ian that your organisation has been obstructive to his independent work. Is that right or wrong?

**Paula Vennells:** It is wrong. We have provided for every single case detailed, thorough, independent investigation. They run to pages and pages of reports. There are on average 80 pieces of evidence—

**Q84 Nadhim Zahawi:** Let me stop you here. We have just heard from Ian Henderson, who is independent, that you have not provided the prosecution files that they think they should look at. They need your files, not just what is publicly available. They need that information. Will you provide it? Yes or no?

**Paula Vennells:** Mr Zahawi, you have just heard that it is the first time I have heard that piece of information.

**Q85 Nadhim Zahawi:** I am simply asking for a commitment from you. You are the head of the organisation. Will you provide it? Yes or no? Give me a simple answer.

**Paula Vennells:** Mr Henderson is a forensic accountant. He is not a qualified legal individual. Neither am I.

**Q86 Nadhim Zahawi:** I am simply asking whether you will provide it—yes or no?

**Paula Vennells:** I am not prepared on behalf of the Post Office to give—

**Q87 Nadhim Zahawi:** Right. I have got my answer. You will not provide it.

**Paula Vennells:** No, you have not got your answer. You have not heard a yes or a no. I am simply saying that at the moment I am not able to answer your question.

**Q88 Nadhim Zahawi:** Why?

**Paula Vennells:** Because I do not know the details of the situation.

**Q89 Nadhim Zahawi:** You used to provide the information and you have stopped providing it. Will you provide it going forward? Yes or no?

**Paula Vennells:** I am not aware that we stopped what we provided previously. Angela has been involved daily for the last two years. She sits on the working group alongside Ian at Second Sight. If there is a misunderstanding, I am happy to—

**Q90 Nadhim Zahawi:** Angela, will you provide it? If your CEO cannot answer, will you provide the prosecution files as requested by Ian Henderson?

**Angela van den Bogerd:** Mr Zahawi, as Ian said, we have previously provided them, and we have provided the information necessary for those investigations as a pack. So there are thousands of pieces of information already provided to Second Sight.

**Q91 Nadhim Zahawi:** But we have heard already that he has been obstructed from getting the legal files that you use internally, which he used to get before. That is what I have heard. Will you now commit to providing those files going forward?

**Angela van den Bogerd:** We provided them to Second Sight early in the investigation.

**Q92 Nadhim Zahawi:** Will you provide them?

**Angela van den Bogerd:** Just let me finish, please. We have been working with Second Sight over the last few weeks to get to an understanding of what we need to provide. We are working through those, and information has been flowing.

**Q93 Nadhim Zahawi:** So you do not understand what you need to provide?

**Angela van den Bogerd:** We have been providing what we agreed we would provide at the outset. In some cases, Second Sight have concluded their investigation on that basis. What has been asked in the last few weeks is for access to further information that we were not providing under the agreement that we had.

**Q94 Nadhim Zahawi:** What he is asking you for—there is no wriggle room—is to provide the prosecution files going forward. Will you commit to doing that? That is all I am asking.

**Angela van den Bogerd:** What I am saying is that we have already been exchanging that information over the last few weeks.

**Q95 Nadhim Zahawi:** So you have been providing them?

**Angela van den Bogerd:** We have been providing that over the last few weeks.

**Q96 Nadhim Zahawi:** Is that right, Mr Henderson?

**Ian Henderson:** No, it is not, I am sorry to say.

**Q97 Chair:** Two things. First, what is to prevent you from providing the information that has been asked for? Secondly, Paula, as you are the senior person here, the buck stops with you. I find it quite astonishing that you do not seem to know anything about a process that is so politically and socially sensitive.

**Paula Vennells:** I know a huge amount about this. I know the really important things about it. We are talking about a small number of—

**Q98 Chair:** With respect, we are talking about legal files being handed to the person who I believe is effectively contracted by you to carry out the investigation. I would have thought that was a pretty significant element of the process.

**Paula Vennells:** What you have heard is that a huge amount of information is being exchanged. There are thousands and thousands of pieces of evidence in every single case, which is being exchanged—

**Chair:** But he is just asking for the legal files.

**Paula Vennells:** May I make my point? Because I can answer your question if you allow me to.

**Q99 Chair:** I will allow you to do that. But when someone has asked for legal files, why don't you give them the files and let them make the—

**Paula Vennells:** And you have just heard that we thought we had provided them and Mr Henderson thinks we have not. I will give you my reassurance as chief executive that I will look into this and we will get back to the Committee and let you know. I am simply caught in the middle of two different views. I cannot take a decision on something that, at the moment—

**Q100 Nadhim Zahawi:** You are the chief executive, so the buck stops with you.

**Paula Vennells:** It does stop with me. Also, therefore, as chief executive, I am responsible for the reputation of and what happens for the Post Office.

**Q101 Katy Clark:** I refer to the Register of Members' Financial Interests: I am a member of the Communication Workers Union and chair of its parliamentary group, which obviously is heavily involved in this issue. To follow up the point made, unless there is a legal reason not to provide the information to Mr Henderson, will you give it to him?

**Paula Vennells:** That is exactly what I am trying to say: I do not know at the moment, because I do not know the issue that is being raised. I am very sorry that I cannot answer that. Much more detail has been exchanged between us and Second Sight and I am very happy to look into that and I will get back to the Chair and let him know.

**Q102 Chair:** Could I just make the point that you really should have known before coming to the Committee?

**Paula Vennells:** And, if I may respond, if Second Sight and the independent chair of the working group had raised that with me, I would have been able to answer the question. I have been told that we are providing information. I give you my word as the chief executive of the Post Office that I will look into this properly and give you the answer.

**Chair:** Okay. There seem to be communication problems within your administration.

**Q103 Katy Clark:** Is there anyone with an IT background on the mediation scheme?

**Paula Vennells:** The mediation scheme is the scheme where the individuals go into—

**Q104 Katy Clark:** I understand that, but can you answer the question of whether there is anyone on the scheme with an IT background?

**Paula Vennells:** When you say on the scheme, as part of the working group? No, there is not.

**Q105 Katy Clark:** Are you aware that that is a major criticism?

**Paula Vennells:** Yes, I am.

**Q106 Katy Clark:** Are you able to address that at this stage?

**Paula Vennells:** For each of the 150 cases for which we have now concluded our investigations, where there have been IT issues, we have looked into those and taken the right advice from our IT experts in the business. Yes, we have.

**Katy Clark:** We may come back to that later.

**Q107 Mr Binley:** I asked a very specific question about whether you had been given legal advice not to show certain pieces of information within your organisation. You said no, you had not. You intimated a few moments ago that, in fact, the reason that you are not giving or may not have given matters because it was Data Protection Act. That would be legal advice. I put the question to you again: have you had legal advice not to show papers that have been requested of you?

**Paula Vennells:** Mr Binley, I have just tried to explain to you. I do not—

**Q108 Mr Binley:** Clearly unsatisfactorily. I have just asked you a question. Will you please answer for the record?

**Paula Vennells:** Personally I have not had legal advice on that.

**Q109 Mr Binley:** I did not say personally. Come on, you are the head of a big organisation.

**Paula Vennells:** Yes, and I have just explained to you that, on my right, we have been saying that we have sharing information and, on the left, we have—

**Q110 Mr Binley:** It is not about sharing information. I asked you a specific question. You mentioned the Data Protection Act, a matter of legality. I am, therefore, putting the question again. Have you been given legal advice not to give over certain papers—yes or no?

**Angela van den Bogerd:** We do not take specific advice on data protection for this particular matter. As an organisation, we comply with data protection all the time.

**Q111 Mr Binley:** It is applied by many people in many different ways, mostly without any legal foundation whatsoever. I don't want your nonsense, frankly, because I am hearing too much of it, so let's be clear on this: have you been given legal advice not to hand these papers over—yes or no?

**Angela van den Bogerd:** So with the issue of data protection, yes, we would need to redact information. That is not nonsense, Mr Binley.

**Q112 Mr Binley:** Forgive me, I have been around long enough to know how many people hide behind the Data Protection Act. Everybody in this room knows that, too, so let's talk about facts. I asked you a question and you haven't given me a straight answer, so I will draw my own conclusions.

**Ian Henderson:** Chairman, may I add something by way of clarification? It is the general counsel of Post Office, to whom I have spoken, who said that he is not prepared to disclose to us the full legal files. I do not know to what extent he gave the same answer and advice to the chief executive of the Post Office.

**Mr Binley:** Thank you, Mr Henderson.

**Q113 Chair:** That is very helpful indeed. Could you just repeat who it was for the record?

**Ian Henderson:** The general counsel—the head of legal for Post Office.

**Q114 Paul Blomfield:** The Second Sight interim report, which broadly endorsed the Horizon system, nevertheless identified some potential bugs and flaws that, in some cases, could create errors. Why do you think it is appropriate to use information from that system, given those potential errors, which suggest that it could be unreliable, as evidence to pursue sanctions against individuals?

**Ian Henderson:** The short answer is that the core system—the software, for want of a better word—works well most of the time. Like any large system, it occasionally generates errors. Our concern is the response by Post Office to supporting sub-postmasters when they face those problems. Yes, there is a helpline facility, and, yes, training is provided, but there is no formal investigative support. Under the contract, sub-postmasters are not entitled to investigative support when they say, “Look, we've got this discrepancy. I don't understand how it happened.” They are left largely to their own resources, supported by the helpline and so on, to get to the bottom of those problems. As we have seen time and again, they have failed to do that. In some cases, Post Office has refused to provide information to them on the grounds of cost—this comes back to the contract with Fujitsu. They say, “It is too expensive. It is outside the terms of our service level agreement. We cannot provide you with the

detailed information that Post Office holds.” It is not prepared to disclose that information to sub-postmasters, even though, under the contract, it has a legal obligation to make good those losses. It is matters such as that that we are looking into.

**Q115 Paul Blomfield:** I wonder whether I can ask Paula and Angela the same question.

**Paula Vennells:** A general point first of all, which also came up in the previous session, on the support and training of sub-postmasters and the helpline. We monitor very carefully the training and support that we give. The first point that I want the Committee to hear is that there are always opportunities for us to do it better. I have no doubt about that; it applies to any organisation. We are not perfect, and we continually try to improve things.

The satisfaction rate for the support desk for the sub-postmasters is running at about 87%. It has improved since we put in place changes last year, but it has always been good. As you heard from George Thomson, the vast majority of people have no issue with the system, and they are actually quite satisfied with the training and support around it. We are dealing with a very small number of people who have had some really difficult things happen to them. Going through this process, which Angela has built on, we have learned where we could have done some of those things better. However, that is not to say that throughout that period—we are talking about 10 years—the system, the support and the training were not good. In the vast majority of cases, they were. Angela will tell you about what we have done and the improvements that we have made.

**Q116 Paul Blomfield:** But that wasn’t the Second Sight conclusion, was it? It concluded that the support appeared to be deeply flawed. It appears that there is a culture of denial about the problems. I will share with you a case from my city of Sheffield. A sub-postmaster told me that a long-standing business customer had deposited £4,500 and had a receipt to show that, but her bank statement showed £200. That customer came in to see the sub-postmaster, who printed out the transactional log, and it was evident that it had jumped on one. The crucial point is not that one; it is that she rang the helpline, and they said that this was a rare problem, but that they were familiar with it because it had happened previously. She asked them to rectify the customer’s transactions and to let the customer know that the error was not hers, because of the reputational damage she would face with one of her significant business customers. The response she got from the helpline was, “It wouldn’t be helpful to let customers know that the computer system has a glitch.” They were therefore unprepared to do that, as a result of which she lost that customer, who actually transferred to another sub-postmaster. Nevertheless, it damaged her business in that way. That seems to reflect a culture of denial of problems; that is a theme coming through much of what we have heard.

**Paula Vennells:** In terms of the culture, the reason I came today is that I really want the Committee to hear that that is not the case. We put this scheme in place because we

wanted to find out what was going on. Inevitably, because of their distress, the people who have gone through this are very vocal and very challenging about what they have been through—quite rightly so. As we have gone through the investigations, we have looked at where there are things we could improve. There were things that we could improve, absolutely.

The only point I am trying to make to the Committee is that for the vast majority of people—70,000 people are using the system today, and half a million people over the last 10 years have not had those problems. I am not denying at all that there are problems. Of course there are—there are problems in any organisation—but this is about the reputation of the Post Office. This system works well for the vast majority of people. For those it does not work for, we are doing our utmost. I have worked for huge businesses before, but I have not worked for any that could have done this as well as we have, in terms of our rigour and the detail we have gone into to try to get to the bottom of this.

**Q117 Paul Blomfield:** We have heard considerable evidence from all involved that the system usually—overwhelmingly—works well, but the focus of this inquiry is how the Post Office handles that small number of cases where it does not.

*Paula Vennells:* Yes.

*Angela van den Bogerd:* Can I answer a few points you raised? First, the information that the sub-postmaster needs to balance their accounts is available in branch. There has always been an audit trail in branch. Before we went on to the online system in 2010, the reports were available for a period of 42 days. They could look back into their accounts for 42 days. Since 2010, that has extended to 60 days, so the information has always been available in branch. The difficulty with some of those cases is that they did not declare their loss at that time. In some cases, they have hidden the loss and falsified their accounts, and we have only discovered later that the error occurred. Those reports in branch have then obviously expired.

If a branch finds that it has a large unexplained loss, the first port of call is for them to ring the helpline. There is a process in place for them to be helped remotely. If the helpline cannot solve their problem at the time, it goes to another team—a branch support team, which has a bit more expertise and can dive a bit deeper into the information. If that fails, we send someone out to visit the branch and see if they can help them there. That process is in place.

Looking back over the cases that we have investigated, we could have done that a bit better in some of those cases. It is not that there is a culture of denial here. I have personally been involved in each of those 150 cases and got into the detail. Where we could have done better—it is only a handful of cases—we have absolutely said that. I cannot accept that we are in denial about that, because we are looking at it. You talked in the earlier session about telecommunications problems and a loss of power; the system is designed to cope with that. If there is a loss of power or of communication mid-transaction, none of those data are lost. It freezes in time, and when the system comes back on, the screen asks the user to give it some information about what point in the transaction you were at. Did that transaction complete? Had you given money? Had you taken money? That recovery process, as it is called, actually resets the system to that moment in time, so no data are lost. Yes, it is inconvenient, and yes

it is frustrating for branches and sub-postmasters and assistants, who want serve their customers, but that does not cause the discrepancies that it has been claimed it does. It does not do that.

**Ian Henderson:** May I come back on a couple of points made by Angela? She is quite correct on the numbers that she has quoted, referring to the audit trail available to sub-postmasters; for a long time, there was a limit of 42 days. Unfortunately, the transaction corrections that they are asked to accept—if they do—often generate losses for that branch and that sub-postmaster. When the audit trail was 42 days, the delay in producing the corresponding TC that they needed to investigate was in the order of three months. It was three months late, and therefore outside the 42 days of the audit period. That, I would argue, is another example of a systemic flaw in the overall process, because we have a mismatch between the TC—the adjustment made by Post Office—and the audit data available to the sub-postmaster.

Secondly, on the culture point, until we issued our interim report, the mantra that we regularly heard from Post Office was, “Horizon is perfect. We have total confidence in the Horizon system”. That position is slowly changing; however, in the limited cases that we have looked at—we are very concerned about the prosecution cases—we have seen no evidence that the Post Office’s own investigators were ever trained or prepared to consider that Horizon was at fault. That was never a factor that was taken into account in any of the investigations by Post Office that we have looked at.

That is a matter of huge concern, and that is why we are determined to get to the bottom of this matter, because we think that there have been prosecutions brought by the Post Office where there has been inadequate investigation and inadequate evidence to support some of the charges brought against defendants—sub-postmasters and former sub-postmasters. In particular, we are aware—this, again, is why we need to see the full prosecution files—that a common tactic employed by the Post Office, or lawyers acting on its behalf, is to bring charges for both false accounting, which is a relatively easy charge to prove, and theft; then, as a bargaining point—a plea-bargain, almost—before trial, they drop the charge for theft on the basis that, first, the defendant will probably avoid a custodial sentence and, secondly, the evidence is much simpler.

When we have looked at the evidence made available to us—bear in mind that I have been an expert witness for the Crown Prosecution Service, instructed by the CPS on fraud cases—I have not been satisfied that there is sufficient evidence to support a charge for theft. You can imagine the consequences that flow from that. That is why we, Second Sight, are determined to get to the bottom of this matter, which we regard as extremely serious.

**Q118 Chair:** You said that you were not satisfied that it constituted theft; would you have said that there was sufficient evidence for the lesser of the charges, false accounting?

**Ian Henderson:** False accounting is a relatively easy charge to bring. When we have spoken to sub-postmasters who have been charged with that—some of whom have pleaded guilty—their response has been, “I had no options; I was not aware at the time of the range of options available to me at the end of a trading period, when I was faced with a substantial discrepancy that I didn’t understand and hadn’t investigated properly, and on which I had had

inadequate support by the help desk. I therefore did the only thing that I felt was possible or sensible at the time: I entered false figures into my month-end balances. I did that out of desperation because I did not know what else to do.” Bear in mind that the help desk does not operate 24/7. At the end of trading periods, often when sub-postmasters are working late at night to try to resolve a significant discrepancy, the help desk is not even available. It is perfectly understandable why some sub-postmasters have felt—

**Q119 Chair:** Okay. I think we’ve got the message on that.

**Angela van den Bogerd:** Can I just say something on that point, because it is very important? The help desk has always been available after the trading hours of the post offices—until 10 o’clock at night, back in those days—and if they were unable to get hold of somebody, they were able to leave a message for a call back. There was always some access to help in those situations. What is important—I disagree with Ian’s last point—is that a sub-postmaster has a choice. At the time that they make their balance and find that they have a discrepancy, they have a choice to declare that loss and make us aware of that, or—as happened in some cases, unfortunately—cover up that loss and hide it from the Post Office. That is false accounting. As Ian said, that charge is quite easy to bring, because it is evident, but they have a choice at that point and they are not forced to do anything; it is a conscious decision.

**Q120 Chair:** My understanding is—no doubt you will correct me—that if a sub-postmaster reports a loss, they are responsible for that loss. The difficulty, as I understand it, is that there is not an adequate mechanism for that loss to be investigated and determined—whether it is a mistake or there is a degree of culpability with the sub-postmaster or staff—before that sub-postmaster has to make up for that loss.

**Angela van den Bogerd:** It depends on the situation. In a number of cases, there has not been one large loss overnight, but small losses that have been carried in the account for a period of time, so it ends up being a large loss. The point that I am trying to make is that there is a choice. At the point at which that is a relatively small loss, they can raise that with us and have been able to do that. We can talk them through and help them look for that. The helpline has the experience to be able to talk sub-postmasters and branch staff through where that loss might be.

If the loss is within the accounts system, it would typically come back as a transaction correction, as Ian mentioned earlier. He referred to them taking three months; they do not normally take three months. There have been occasions where there has been a bit of a backlog and we have worked through that, but a transaction correction would normally come through quite quickly. Where a mistake has been made over the counter and the money goes out of the branch, that situation will not be rectified in a transaction correction, because it is with the customer, and we are dependent on the customer to raise that.

**Q121 Chair:** I think I have this right: the helpline was outsourced to the Philippines, and comments were made about a script-type response.

**Angela van den Bogerd:** There are two helplines. The helpline that has been outsourced to Manila is the technical helpline, which they would ring to report a hardware problem. The helpline that I am talking about is the Network Business Support Centre, which sub-postmasters and branch staff ring for help on transactions and accounting. That is UK-based. It is still in Dearne, where it has always been. That helpline is still in this country, and there are no language problems other than the normal accents around the country.

**Q122 Chair:** That is a helpful distinction to make, but it could be that technical problems impact on the accounting problems.

**Angela van den Bogerd:** When it goes to Manila—that is the first fix, in terms of the initial conversation. If there is a technical problem, or hardware that needs to be replaced, that comes back into the country and we have a field team, through a supplier, that would go to resolve those issues. The fact that it is in a different country does not change the level of service; actually, the feedback we have got is that it has improved the service.

**Q123 Chair:** There seemed to be a lack of satisfaction with the response, and obviously I am not in a position to say whether that is because the centre is in the Philippines, or whether things would have been the same if it was a domestic call centre. There was a comment in some of our evidence that the staffing of the helpline had recently been reduced by 25%. Have you any comment on that?

**Angela van den Bogerd:** Sorry; on the helpline?

**Chair:** Yes.

**Angela van den Bogerd:** No, we haven't. There have been no changes to the helpline staff. What I think you are referring to is the fact that we are looking at reducing some of the training and audit team, on the back of introducing online training. We are not actually reducing the level of support; we are changing the way that we provide the support. The online training is one of the things that, throughout this process, I have looked at, in terms of how we could improve our training offer to our sub-postmasters and branches. As of this month, an element of the classroom training goes to an online platform where sub-postmasters and their staff can access training at their leisure—they can do it whenever they like—through a link into the intranet system. That will improve the consistency, quality and delivery of the training. They will also get a week of onsite training to embed it in the real situation.

The online training improves the situation and, on the back of that, we can make some efficiencies with regard to the number of people we need, because we do not need the same level of people in the classroom to deliver that training.

**Chair:** At least some of our evidence seems to point to a certain degree of disquiet about that, but it may be too early for us to make a judgment.

**Q124 Mr Binley:** I have been associated with the call centre industry since 1988, and I have seen the way that call centre work has gone to countries such as the Philippines and India. I have seen the lack of quality in those call centres, and I have seen that they think it will figure highly against them in terms of the continuation of their contract if they send too much back to the UK. Given what I have just said, do you really have all that faith?

**Angela van den Bogerd:** What we do, and will do, is monitor the level of quality that that helpline provides to our network. We do that from a customer satisfaction perspective and from a technical perspective. If that is your experience over the years, I am not denying it. All I can say is that we are very closely monitoring performance to make sure that we give the proper service to our network.

**Q125 Mr Binley:** Why did you take the business to the Philippines, rather than basing it in the UK? Was it cheaper?

**Angela van den Bogerd:** As an organisation, we look at the cost-effective delivery of services.

**Mr Binley:** So it was cheaper.

**Chair:** Can I just intervene at that point? I will give you a chance to elaborate, but Mike has a question and he has to go to the Chamber very shortly.

**Q126 Mike Crockart:** Unfortunately, I have Justice Question Time at half-past 11. This question is particularly for Ian. My background is IT project management, and I used to manage the IT support for Standard Life health care, so I have a bit of experience. In your report, you identified that the systems for Horizon were significantly more complicated than even those of the high street banks. Can you just elaborate on that a little bit? It seems very strange that there should be such a difference between the two.

**Ian Henderson:** It reflects two things, the first of which is the range of products that the Post Office provides to its customers—of the core products, there is something like 170 different items. A much smaller range is provided directly through a high street bank, for example. They will tend to have specialist advisers and will tend to refer customers to other departments within the organisation, and so on. Core products are made available from the majority of branches, whether the branch is up in the highlands of Scotland or in the centre of London. Under the contract—I am conscious that we keep coming back to the contract, about which we are very concerned—the general position is that a sub-postmaster is required to provide whatever services head office say that he should provide. If they want him to provide an ATM, he has to provide an ATM. If they want them to provide other complex services, such as mortgages, foreign currency and so on, then generally speaking under the contract that person is expected to provide that service. They will not receive further support other than by helpline, obviously, and perhaps specialised training. *[Interruption.]*

**Q127 Mike Crockart:** Sorry to move you on quickly, but the bell is calling me. Given the complexity, the lack of specialist in-branch advisors and the many—albeit small—problems that you have identified, do you think that that is the main contributory factor for what we are looking at here? Is that what caused many of the problems to arise?

**Ian Henderson:** Surprisingly, the answer is probably no, with the exception that there are clearly some products that do seem to account for a disproportionate number of problems. ATMs are probably pretty close to the top of that list. We are also aware that foreign currency bureaux de change also have a disproportionate impact. I would not go so far as to say that the offer or availability of 170 products and services is in itself a problem, but perhaps focusing on individual products and services within that 170 is a problem.

**Q128 Mike Crockart:** Given the poor access that the Post Office would have had to data because of the problems of accessing it through the Fujitsu contract, do you feel that the Post Office had sufficient IT support behind those systems to identify and fix errors?

**Ian Henderson:** We can only look at the cases that we have been asked to examine. In terms of IT support, we are concerned about some of the interfaces with third-party partners such as Bank of Ireland and other banks, ATMs and so on. The issue is those interfaces and the flow of information from those third parties, which of course would not happen in a high street bank where everything is integrated. It is those third-party interfaces that seem to cause a disproportionate number of problems.

**Q129 Mike Crockart:** My experience with Standard Life was that we would identify trends and see particular things that were going wrong. In your report, it was the receipts and payments mismatch problem and the local suspense account problem. These things would come up time and time again, and you would then identify a work around until such time as the IT fix went in. You would tell them, “Well, if you are doing this type of transaction, you need to be aware that this could go wrong, so do it this way and then fix this bit over here, but we will get back to you.” Is there any evidence of that sort of process happening through the Post Office?

**Ian Henderson:** Yes, there is, but it happens slowly. A very good example was in 2009, when the Post Office performed an audit of 20 branches relating to the lottery scratchcards. Those 20 branches caused £147,000 in losses, and as a result of that, certain process changes were eventually developed. In 2010, over a three-month period, more than 1,000 transaction corrections—TCs—were issued to branches, the financial value of which was £744,000. To our minds, that indicates that there was a system-wide problem with lottery scratchcards. Two years later, the Post Office introduced a number of changes that largely prevented that problem occurring. However, it was three years before those early problems that had been identified were fully resolved, and I am sure there were other examples.

**Q130 Mike Crockart:** And during those three years, sub-postmasters would have been expected to make up the loss.

**Ian Henderson:** Correct.

**Angela van den Bogerd:** May I add to that? The point that Ian has not mentioned here is that we have tried to automate products, so that less human interaction is required. In the case of lottery scratchcards, those error notices were particular to cases where sub-postmasters had sold scratchcards before they had booked them in. They were selling scratchcards with a value of, say, £200 that they had not actually booked into that account. So they would have had a surplus of £200, which if you scale up reaches a sum of £700,000. So it is not an actual loss; it is just that they have accounted for it incorrectly at the start.

**Mike Crockart:** I am sure we could go into it in greater detail, but I am afraid we have to move on.

**Q131 Mr Binley:** Evidence has been submitted to us by a very high-level person, Mr James Arbuthnot, who has been looking into this matter for a considerable time. As part of his evidence, he says: “The Post Office has accepted that its support systems left much to be desired, and as a result it has changed them. The sheer number of calls to the Post Office helpline is astonishing. The calls are from professional users,” and this is the bit that counts, “but tens of thousands of them were abandoned; they were not just made, but abandoned.” Does that cause you considerable concern?

**Angela van den Bogerd:** If it were correct, yes. We do not want to have tens of thousands of calls abandoned.

**Q132 Mr Binley:** Well, let me tell you that Mr James Arbuthnot is one of the most respected Members of Parliament in this House and his evidence will weigh heavily with us.

**Angela van den Bogerd:** Mr Binley, I am not disputing that. I look at the telephone records. We can record the number of calls that go into the call centre. If 5% are abandoned, what abandoned might mean is that—

**Mr Binley:** I know exactly what that means.

**Angela van den Bogerd:** Obviously, as you are aware with contact centres, when people ring up initially, there might be other options that take them to a different route and they therefore go a different route and they put the phone down. It does not necessarily mean they are not answered.

**Chair:** Okay, I am sure that James Arbuthnot will be very happy to provide us with supplementary evidence. As I see, he is sitting in the audience. He cannot participate in this session. I am sure you will want to give your assessment of that particular statistic in a written form and we can examine it in due course.

**Q133 Ann McKechin:** We heard earlier this morning that there are still 110 cases in the system. Can you advise the Committee this morning how many you expect to proceed to mediation?

**Angela van den Bogerd:** On the number you quoted—110—I understand that Sir Anthony Hooper has sent some further updated information to the Committee, which reads differently. I can give you updated numbers, if that is helpful.

**Q134 Ann McKechin:** Do you expect the bulk of those cases to go to mediation?

**Angela van den Bogerd:** It depends on the individual case. Of the 136, some have been resolved and some were not eligible. Of my latest figures, where the working group has agreed that they should flow to mediation, the number is 41. We have agreed to mediate a majority of those cases. The latest information is that we have declined to mediate in five of those cases.

**Chair:** Could I say for clarity's sake the information that we received from Sir Anthony Hooper yesterday is that there are now 87?

**Angela van den Bogerd:** So the number I quoted of 41 is in line with that 87 now.

**Q135 Ann McKechin:** That is helpful. It seems from what we have been discussing this morning that the reporting protocol seems to be rather haphazard. People are supposed to phone a helpline, but there does not appear to be any particular written process. Do you record all the calls that are made to the helpline?

**Angela van den Bogerd:** Yes.

**Q136 Ann McKechin:** Okay, so the transcripts of those calls are available in terms of evidence.

**Angela van den Bogerd:** Yes, they are available and they have been made available as part of our investigation into each of those cases. Each applicant has a copy of their relevant transaction—their call logs.

**Q137 Ann McKechin:** It appears, as we have said, that the number of errors out of the total number of transactions is a very small percentage, but clearly, when it occurs, it has very, very serious repercussions. To what extent have you focused your training and support—or what steps have you taken to improve it—so that all staff are aware exactly of the error reporting protocol and what they need to do.

**Angela van den Bogerd:** So what we have done—and we have done this over the last couple of years and I am in the process of refreshing it—is that the classroom training for people I referred to earlier, for new people coming into the business, and on-site training are part of the package. We have put more emphasis on the balancing process, the accounting process, how to balance, and importantly what to do when you do not balance. How to find your discrepancy in branch, using all the reports that are available to you. If you can't resolve it then, part of the learning process is to say, "This is the route that you need to go into: the helpline." We describe how that support manifests itself into branch, if it needs to be. We

have also produced handy tips and guides as handouts for people to take back to their branch. When we train them on site, we talk them through and refer to the process in order to keep them on the right track. We have done a lot of work at the front end on emphasising what happens and what they need to do in such a situation.

**Q138 Ann McKechin:** You will be aware from the recent Westminster Hall debate of some very serious allegations made by a number of people that they were told by your staff that, if there was money over at the end of the day, they should put it in an envelope, put the envelope in a safe and use the money to pay later shortfalls. That amounts to false accounting. That is a very serious allegation that staff at your end—at the other end of the phone line—were making these casual, inaccurate and highly dangerous recommendations to sub-postmasters.

**Angela van den Bogerd:** What we say to sub-postmasters when we train them is that, when they make their statement, what is declared as cash in the till is the correct statement. If you are short, you put money in and if you are over, you take money out. That is not false accounting. False accounting is when you sign off your accounts to say, “I have £10,000 in my account,” when you only have £9,000. That is false accounting and there is a very big difference between the two.

**Q139 Ann McKechin:** But it seems remarkable to me in the days of modern technology that we do all this orally and nothing is confirmed in writing. Most people have access to e-mails and texts. After a call, is there something then confirmed? If you find yourself with a shortfall in your money, you have never had it happen before and you realise what the repercussions are, most people would feel highly nervous and unsure and they go on the phone line. At times, people do not fully absorb all the information that is relayed to them orally. We know that happens. We know that people do not always capture every piece of information. Therefore, it is vital, given the repercussions, that you would follow it up at the earliest opportunity with a written communication confirming the instructions. Why do you not use e-mail or text messages? What do you do in terms of hard copy, so that someone has a piece of paper or a written message which tells them exactly what they need to do?

**Angela van den Bogerd:** Each call logged into the helpline has a reference number and the sub-postmasters make note of that number, so that they can quote it if they need to go back to the helpline. It takes them back into the information that has been given.

The information that we give over the phone is what is already in branch. It is already documented in branch, whether that be by means of an operational manual or Horizon online help, which is the instructions and the training in the system. What we do when we advise them—

**Q140 Ann McKechin:** Do you not acknowledge that best practice would be to immediately confirm it in writing following the call, so that the person had the specific instructions, rather than having to dig their way through a very large manual to exactly what

they had to do at that time? Do you not accept that that is something which you might want to reconsider?

**Angela van den Bogerd:** Certainly. What we do not have in the Horizon system at the moment is two-way communication. When we replace that under the new contract, we are looking to have that two-way communication. Sub-postmasters are invited to give us their e-mail address and where they have e-mail, we communicate in that fashion. We communicate via text in some situations as well, but I accept the point.

**Chair:** Okay, can I bring in Brian?

**Q141 Mr Binley:** Thank you. This is to both Ms Vennells and Ms van den Bogerd. I am concerned that it has been suggested that the Post Office has tried to exclude up to 90% of cases that have gone before the working group for mediation. How do you explain that figure? Is it correct?

**Paula Vennells:** It is incorrect and I think Angela just gave you the most recent figures.

**Angela van den Bogerd:** Out of 41 cases recommended by the working group, we have declined five, which works to 12% not 90%.

**Q142 Mr Binley:** This is an interesting exercise, because I am listening to you, but I am also looking for a reaction from behind you. That concerns me enormously, but I will let that go for the moment. I just want you to know that.

**Ian Henderson:** Mr Binley, I may be able to help you with that. I was present at the meeting where this 90% figure came up, and it is a little different from what has been described. As you are probably aware, the mediation working group receive reports from Second Sight where we make a recommendation whether or not the matter should go to mediation. There was one meeting—I think it was October last year—where quite a large number of reports from Second Sight recommended mediation. I am guessing at the number; let us say maybe 12. The working group therefore has a choice: either it accepts our recommendation and they go through to mediation, or, as happened in this case, in approximately 90% of those cases the Post Office said that it wanted to discuss the matter at the working group. That request for discussion was interpreted as meaning that the Post Office was challenging 90% of the, let us say, 15 cases that were going to the October meeting. The Post Office subsequently clarified its position and said, “We are not necessarily challenging them. We feel that they raise significant issues that need to be discussed by the working group.” It was, however, a further process or a step in the process that introduced delay, because clearly the working group could not necessarily deal with that number of cases all in one meeting. That, I think, is where the 90% figure came from.

**Q143 Mr Binley:** I am grateful for that elucidation. Can I go on and ask if you could confirm to us, both of you, whether sub-postmasters who have previously pleaded guilty to charges arising from information provided by Horizon are eligible for mediation?

**Angela van den Bogerd:** Yes, they are. They have been accepted into the scheme.

**Q144 Mr Binley:** And you accept that totally, Mr Henderson, do you?

**Ian Henderson:** There has certainly been debate on that point. At one point, the Post Office's position appeared to be that it was strongly opposed to any consideration of criminal prosecutions as part of the scheme. I think that position has gradually changed. To be honest, I am not sure what the Post Office's formal position on that is. Of course, it continues to have the right to challenge cases at any point and, ultimately, to refuse to participate in mediation, which it has done on, I think, two cases so far.

**Q145 Mr Binley:** Thank you again. Finally, has any provision been made to cases which have arisen since the mediation scheme closed to application in November, I think, 2013?

**Paula Vennells:** I am sorry, Mr Binley; could you repeat the question?

**Mr Binley:** Has any provision been made to those cases that have arisen since the mediation scheme closed to applications in 2013?

**Angela van den Bogerd:** We have had a number of people—about half a dozen—come forward and say that they would like to have their cases investigated. Once the scheme was closed, we have offered to investigate those through our normal process, which they have accepted. We are currently investigating about six cases outside the scheme.

**Q146 Chair:** If I can just interrupt, what is your normal process, as opposed to the mediation scheme that was set out before?

**Angela van den Bogerd:** Effectively, it is the same process that we take, in terms of we would look at the issues, get access to all the information, investigate their claims thoroughly, put together a report and share those findings with the individuals.

**Q147 Chair:** What I am puzzled about is why that seems to be satisfactory, in your eyes, for the current cases, but was not satisfactory when it was decided to set up the mediation scheme.

**Angela van den Bogerd:** Our investigation is no different whether it is in the scheme or outside the scheme. The mediation scheme was closed to new applicants, and what I have offered to do is to apply the same process that we can to their cases. That has been deemed to be satisfactory by those individuals. They want to understand what happened in their

situation. I have said that I can look at those cases and provide them with the findings of our investigation, and they have been comfortable with that.

**Paula Vennells:** The decision to set up the mediation scheme was mine, with the board of the Post Office, because Second Sight, as they mentioned, produced a report in the summer of 2012. We were genuinely concerned about the issues they raised, and the fact that these people had challenges.

We are a business that genuinely cares about the people who work for us. If there had been any miscarriages of justice, it would have been really important to me and the Post Office that we surfaced those. As the investigations have gone through, so far we have no evidence of that. As you will know, we are bound by the Disclosure Act to make known anything that we come across that might contribute to that. The difference is that we simply wanted to know, to give those people the opportunity to be heard, because they told us they hadn't been.

**Q148 Chair:** In terms of the cases post the closure of the mediation scheme, it would seem that they do not have the benefit of the analysis and investigation of Second Sight. Secondly, you said that they seemed satisfied. Given the fact that there was no alternative on the table, they could not really be anything other. Is that a fair assessment?

**Angela van den Bogerd:** In terms of our investigating the case, yes. Individuals always have access to the legal rights that are unaffected by this. If they wanted to bring a legal challenge to us at any point they could.

**Q149 Chair:** Could I ask Second Sight if those people are disadvantaged in not having the benefits that others have had in terms of the approach?

**Ian Henderson:** It is a very difficult question to answer, because we are satisfied that the 136 cases that have been accepted have provided us with an adequate range of issues that we can address on the thematic basis that we have identified as of potential concern. Of course, that will not necessarily resolve the specific facts and issues of a person who has not yet come into the scheme. It is perhaps of potential concern. However, I hope that our next report, which is going to be on these 19 or so thematic issues, may well address some of the points being raised by new applicants.

**Chair:** Good. Thank you.

**Q150 Mr Bain:** We have heard criticism about the length of time it is taking to resolve cases through the mediation scheme. Can you tell the Committee the current average time taken to resolve such cases? What do you believe is a reasonable time to resolve such cases?

**Angela van den Bogerd:** That very much depends on the individual case. I think you heard in the earlier session that no two cases are the same. When we launched the mediation scheme, we anticipated that the investigation process would take about three months. It has

probably taken on average about six months. Some cases have taken longer and some less time. Speaking from experience of the amount of information and evidence we have needed to pull together to get to our findings, I would probably say about six months.

**Q151 Mr Bain:** That certainly ties in with some of the correspondence that the Committee has seen, including that from Mr Arbuthnot to Ms Vennells. Ms Vennells, what do you say about how you can improve the efficiency and the time taken to resolve some of these cases? What plans are you implementing at the moment to increase the efficiency of the mediation process?

**Paula Vennells:** I am very pleased to say that we have actually finished all of the investigation reports. So the 87 you have heard about that are still in the scheme are at different stages. When we finish our investigation reports, they go to Second Sight. They review them and come back with questions, to which we respond. That takes a shorter period than the initial process of putting the investigations together. They then go through to mediation. In a sense, as we go forward, I hope we are talking just a number of months now before we can actually get to the end of the scheme. For everybody involved, particularly those sub-postmasters who are still waiting, that is clearly important.

**Q152 Mr Bain:** Would you say that the data retention policy that you followed has had a beneficial or a detrimental impact on how efficient the mediation scheme has been? We have heard some evidence that some documents that could be relevant in mediation have been destroyed as a result of your particular policy. What steps are you taking to ensure that that does not happen?

**Paula Vennells:** I think that the most important answer to that question is that, as soon as we went into the scheme, I had a conversation—in fact, I have had it several times because I know that people are concerned about this—with Mr Arbuthnot and Mr Bates to reassure them that nothing would be destroyed when the scheme was set up. Prior to that, we did not know that we were going into the scheme. We have a data retention policy that is the same as many businesses. Some of these cases are regrettably very old, so some of the data are simply not there. As soon as the scheme started, we made sure that we did not destroy any data related to it at all. That would have lacked integrity.

**Q153 Mr Bain:** And your policy is to keep everything from the last seven years.

**Angela van den Bogerd:** Sorry, not everything. The seven years is the information in the Horizon system. The hard files for post offices are kept for six years. Within branches, there are different retention periods, but the majority of where we got the information from is the Horizon system, and that is seven years.

**Q154 Mr Bain:** Why did you make that particular distinction when you drew up the policy?

**Angela van den Bogerd:** So normal retention policies for commercial organisations are for six years. That is in line, usually, with the statute of limitation. We have gone a little bit further with the Horizon system, where it is seven years. In branch, we ask them to keep some reports for two years and others for six years. It comes down to volume and how you store paper. That is a decision that most commercial organisations take, because it costs to store all the data.

**Q155 Katy Clark:** You said that you thought it would be a number of months before the remaining cases are resolved by the mediation scheme. What do you mean by that? How many?

**Paula Vennells:** Sorry, I meant a number of months from now through to the end of the scheme as it runs.

**Q156 Katy Clark:** When should we expect the scheme to be finished and all the cases resolved?

**Angela van den Bogerd:** Shall I answer? Sorry; I am a bit closer to the working group. On the flow of the cases at the moment—as Paula said, the Post Office has completed all its investigations—87 cases are still in the scheme, the majority of which are with Second Sight. We believe—

**Q157 Katy Clark:** By the end of this year, for example, or next year.

**Angela van den Bogerd:** We believe that the working group function will cease in June and that we should have concluded all these cases by the back end of autumn.

**Q158 Katy Clark:** So by the end of this year, you would expect all of them to be resolved.

**Angela van den Bogerd:** Yes.

**Ian Henderson:** Katy, may I just make one comment on that? The unknown element in all this is that once a case goes into mediation, under the terms of the mediation scheme, the outcome of each individual mediation is confidential to the parties. As a party, the Post Office obviously knows what has happened in every mediation case so far, but at the moment the mediation working group does not know that. There is an agreement in place that, once 15 cases have been mediated, some high-level information will come back to the working group, and we expect that to happen in the next few days.

What we do not yet know is how many of those cases have reached a satisfactory outcome, bearing in mind that one of the objectives of this whole process is to reach closure. One of the unanswered questions is—even in, let's say, six months' time, when all of the cases have gone through mediation—on the level of satisfaction. How many cases have been

satisfactorily resolved, rather than mediated, where the parties have not reached a mutually acceptable outcome? That is something that we have no visibility of at the moment.

**Q159 Katy Clark:** The Post Office will obviously be very aware of the high level of concerns among MPs on a cross-party basis about this issue—a huge number of MPs have been involved in the group that Sir James Arbuthnot has been involved with—and they have no doubt read the transcript of the recent Adjournment debate, which made very clear the anger among many MPs about how this whole matter has been handled. What do you think you are doing or could do to address these concerns?

**Paula Vennells:** I completely understand that MPs are concerned, quite rightly, because people have suffered some pretty terrible things as a result of what has happened.

**Katy Clark:** Yes, with people going to jail.

**Paula Vennells:** We have listened very carefully. We have been in contact with all the MPs. We offered all the MPs with constituents involved in the meetings, at the beginning of the process and throughout it, after the Westminster Hall debate—

**Q160 Katy Clark:** I am not particularly concerned about the MPs; I am concerned about what the Post Office is doing to get its own act in order. What lessons are you learning from everything that has happened so that you can improve your organisation?

**Paula Vennells:** I think we have learned a number of lessons as we have gone through this. You have heard about the improvements we have made in training and support. The other thing that is important for us today is that the Committee can hear both sides, because the Post Office has put a huge amount—

**Q161 Katy Clark:** I asked a question, and I would like an answer to the question. What are you doing, or what have you done, to improve the way that your organisation works? For example, one of the issues that has been put to me is that there is a lack of qualified people within the Post Office hierarchy with whom it is possible for a sub-postmaster to have a discussion when there is a technical issue to do with the Horizon system. What are you doing to improve that, for example, and what other lessons have you learned?

**Paula Vennells:** I would say that that isn't true. If sub-postmasters have queries, they can escalate them as high as they need to. I get phone calls and e-mails, and I personally take them on a regular basis.

**Q162 Katy Clark:** But you are not an IT specialist?

**Paula Vennells:** If they have an IT query, I will immediately go to my CIO, and she is prepared to talk to any sub-postmaster about it. The organisation wants to help sub-postmasters to run post offices properly—of course we do—and we have put ourselves out as much as we possibly can. Where we have got it wrong, because human error happens, then,

as Angela has just explained, we have put in really significant changes in terms of the training and support that is available. The fact that you can access training 24/7 has to be a significant improvement. We have set up a branch user forum—we have sub-postmasters coming to it who are very critical of us, which is why we did it—is to learn the things that we can improve.

We would not have wanted to be in this situation. As soon as I found out about it, we set up the scheme. We put in hours and hours and hours of detailed work to make sure that we have done investigations as thoroughly as we can. At the same time, we have a list of things that we will deal with as we go along.

**Q163 Katy Clark:** What do you think needs to be done as a result of everything you have learned from that process so that these kinds of problems do not happen again?

**Paula Vennells:** We have outlined some of those things already, such as the way that we listen to sub-postmasters through the branch user forum, and the training. It seems to me that one of the big issues to come out of this is that in some cases—not the majority, but I accept Mr Blomfield’s point that this is about the small number of cases here today—we could have done things better. I think that you have heard us say that we acknowledge that, and we have put improved processes in place, but this is a business that learns all the time, and we are constantly trying to improve what we do.

**Angela van den Bogerd:** Can I add that the branch user forum is an important part of that? What we did not talk about earlier is that the six sub-postmasters who make up that forum have connections with the wider network, through their Twitter accounts and things. They feed in the voices of their peers into the forum, so it is not just the views of six people; it is the views of a much wider number. If there are any issues or concerns, they are brought to it and we have a very frank discussion. I have learned, through the process and having been very close to the 150 investigations of each of those cases, that in a number of these cases we could have explained things a bit better. That is one of the important things.

Somebody mentioned the script of the helpline. It is about trying to drill down: you ask me a question, and I want to drill down to get to the real nub of the problem to be able to give you the correct answer. One of the things I have introduced in the last few months is an information tool that allows us to look into the data of the branch. If the branch rings up and says, “I’ve just done this to my system”, we can look and say, “Actually, this is what you’ve done.” We can give them the correct advice, rather than advice based on the information they have given us. That is a massive step forward.

**Q164 Chair:** Can I ask Mr Henderson if you have any observations on the comments you have just heard?

**Ian Henderson:** I would like to go back to a point that was made in the first session about the comparison between Crown offices and branches, and a number of points relating to why Crown offices appear, on the face of it, to deal with some of the Horizon issues better than branches. A point that was not made by the witnesses in the first session is that Crown offices have one significant difference compared with branches: they have the ability to write

off losses up to certain levels. A sub-postmaster cannot do that; he is accountable for every penny. If there is a discrepancy, he has to make that good. The same principle does not apply to Crown offices.

Another of the outstanding questions we have put to Post Office is that we want data comparing and contrasting losses written off by Crown offices and the equivalent losses borne by sub-postmasters. Our work to date has indicated that they both suffer from the same underlying problems. However, the solutions are very different because, generally speaking, a sub-postmaster cannot write off a loss; he has to make it good. That is a point relating to the first session.

Another topic that has not been discussed at all today is what I have called “system changes”. Over a period of time, Post Office has quite sensibly introduced a number of system changes. Some have benefited sub-postmasters and Post Office, of which the changes to lottery and scratch cards are a very good example. Bearing in mind that, under the contract, the sub-postmaster is responsible for making good all losses, I am concerned that a number of those process changes have reduced costs to Post Office or have benefited Post Office, and have acted to the disadvantage of sub-postmasters. A number of those changes have been implemented without any consultation or adequate consultation. I am concerned that, over time, Post Office has been gradually transferring risk from itself to sub-postmasters, which is ultimately being reflected in the losses they are bearing.

**Q165 Chair:** You have anticipated my question about the contractual basis of the relationship between the Post Office and the sub-postmasters. You made very explicit what the problem is there. What changes do you think could be made to the contractual relationship that do not necessarily prevent those problems but at least provide a way of solving them more satisfactorily or fairly for both sides?

**Ian Henderson:** You would need to look into the history of the contract. I am not proposing to go into that in any detail. For a very long time, there was no formal contract between Post Office and sub-postmasters. There was a book of rules. The current contract still refers in places to the book of rules when describing that relationship.

While the contract has been changed in part, it has remained substantially the same for 20 or 30 years. We think that it does not provide sufficient safeguards for sub-postmasters. For example, there is no entitlement to investigative support. We have been told that many sub-postmasters were not even provided with a copy of the contract. In the contract, it states that investigative support will be provided only in cases of suspected criminality—in other words, if a criminal prosecution can or may be brought by Post Office. It does not seem to cover a situation where a sub-postmaster identifies a problem, has exhausted all the readily available help mechanisms and wants some serious, professional help from a trained Post Office auditor. To his surprise, he will find that he has no entitlement to that. Bearing in mind that Post Office holds all the data, we find that surprising. In the context of modern business practices and best practice, we think that that is unfortunate.

Our view is that the contract needs a fundamental overhaul to reflect far better an appropriate relationship. It strikes us that it is written very much in words reflecting a master/servant relationship that perhaps was appropriate 70 years ago but should not be part

of a modern contract. Sub-postmasters are described as partners, but it is certainly not a partnership of equals. The risk is largely borne by sub-postmasters, and some of the changes that have happened recently have benefited Post Office.

**Q166 Mr Binley:** For the record, I refer again to the evidence submitted by my colleague Mr James Arbuthnot. He hoped that the Post Office would not plead the statute of limitations with regard to sub-postmasters' legal actions, some of them caused by the behaviour of the Post Office. Secondly—this was all contained in a letter to you, Ms Vennells—he asked if the Post Office would agree that hon. Members should be briefed by Second Sight, not on an individual basis but on how the mediation scheme has gone. Could you give answers to both those points today?

**Paula Vennells:** Members have been offered meetings with us, if that is acceptable to applicants who are their constituents, to go in detail through every single piece of information in the investigation—

**Q167 Mr Binley:** My question was with regard to Second Sight.

**Paula Vennells:** I can't see any reason why that is not possible. We would need to discuss it with the applicants, clearly. If it is around the case being considered, the Post Office would clearly want to be in that meeting and to have those discussions, but Second Sight have seen all our investigation reports and are reviewing them. I don't have a policy of not making that available to Members; it is simply that there is confidentiality around it. As you heard, some of the cases were very sensitive. If the applicants are happy to do that, we have already offered it to Members.

In terms of the statute of limitations, a number of cases have already come in where that has run out, so I am not sure what the issue is around that. As I understand it, there is no implication at all for the legal options open to sub-postmasters in the scheme. They can still pursue the legal routes of appeal if they want to do that.

**Ian Henderson:** Mr Binley, can I clarify one point? Second Sight is subject to a confidentiality agreement between itself and Post Office. About nine months ago, we sought specific consent from Post Office, as we are required to do under our contract, to communicate freely with James Arbuthnot, and they agreed that consent. I think Members have asked for that consent to be widened, certainly to the new Chairman, Kevan Jones, who is taking over from Mr Arbuthnot.

Also, in terms of general matters, some of which I have raised this morning, several Members have said that they would like Second Sight to be authorised to discuss general matters relating to the scheme with them, as well as, obviously, any cases where they are representing an individual constituent. What we could not do is discuss another constituent's case in detail with a Member who does not represent that constituent. But I think it would help, in terms of communication generally, for Second Sight's authorisation to be widened beyond just James Arbuthnot, who, as we all know, will be standing down very shortly.

**Q168 Mr Binley:** Sadly, that is the case. So the ball has been batted back into your court, Ms Vennells. Are you happy in general terms, given that you might have to take some advice, to accede to that request?

**Paula Vennells:** I am happy to take the advice. In principle, I cannot see why that might not be the case, but I may need to take advice.

**Q169 Mr Binley:** You are a very powerful lady. We look forward to your carrying that out.

**Paula Vennells:** I am also wise, in that I know I need to take advice.

**Mr Binley:** Thank you very much.

**Q170 Chair:** The Post Office is a tried and trusted bank; I think most people would accept that. Equally, I think most people would accept that the support and counselling of employees is very important in sustaining a positive brand for any business. I accept that the relationship between sub-postmasters and the Post Office is rather more complicated than that between a traditional employer and employee, but it would seem that, on the basis of this contract, this particular software and, above all, the support and engagement of the Post Office with those who are contracted to work for it, and who are often highly respected and trusted individuals within their community, the relationship has broken down. Do you accept that the Post Office has a responsibility to put in place a support and engagement system that will, quite legitimately, root out fraud, if fraud is taking place, but ensure that those people who may be guilty only of human error get the necessary support to correct that and carry on with the job, working to reinforce the brand?

**Paula Vennells:** I agree completely about the importance of the Post Office in communities and institutions, and particularly about the people who run them, because if it were not for the people who run them, there would be no trust in the Post Office brand. There is absolutely no doubt about that in my mind. It is the reason we set up the scheme in the first place. We did not have the opportunity to reply to the last point that Mr Henderson made about various comments relating to the contract and other issues. We will give the Committee some further notes on that because there were some sweeping generalisations there that are simply not true. We review the contract, for instance, very regularly. The National Federation of SubPostmasters meets us probably twice a year to look at this kind of thing. It is really important to the business.

When we set the scheme up, we wanted to get to the end of it and we hope to do that by the end of this year. It is a very good question as to what next, because there may be situations in which people are unhappy with it. The thing that we wanted the Committee to hear today is that this is a small number that we have taken very seriously and I think that when we get to the end of this, we should review, as any sensible organisation would, what next steps we need to take. It is important to me that we finish it, particularly for the people who have gone through the scheme, frankly, and—my last point—because of the importance of the Post Office. This is a really successful business. We have, as many of you know, because you have opened the new post offices, halved the losses in the Post Office in the past

two years. I have reduced our dependence on subsidy from £210 million to £130 million this year. We have an ambition to break even in three to four years. We are in financial services and we have launched the Post Office Money brand. It is critical to me that we keep trust in the Post Office as high as it is. That is why we did the scheme.

**Q171 Chair:** I think that most MPs would certainly agree with your latter statement, but given the cases that have been very publicly demonstrated and some of the evidence that has surfaced in this Committee—and, indeed, in other debates—do you not accept that the Post Office has been deficient in its duty of care towards the sub-postmasters who are so important in reinforcing that positive brand?

**Paula Vennells:** Not at all, in terms of the vast majority. As we have said to you today, yes, in some cases we could have done better in terms of training and support.

**Q172 Chair:** The point is that it is that minority of cases that colour the public perception of the whole organisation. It is true in most businesses.

**Paula Vennells:** Yes—that is why we set this up.

**Q173 Chair:** What has concerned everybody is the culture of denial, as Mr Blomfield said, that seems to exist in the Post Office in dealing with this minority of cases.

**Paula Vennells:** I hope that we have, at least to some extent, reassured you today that we have put a major amount of focus on this. We could not have done more in terms of putting these investigations together and appointing independent experts and I hope that we can see this scheme through and bring it to a close for those people involved.

**Chair:** We will decide on whether we are reassured when we have done our report, with recommendations and your response to the recommendations, but on that note, I shall close the meeting. Thank you very much. It has been a long and sometimes robust discussion, it has been very helpful and let us hope that the Post Office and the sub-postmasters and sub-postmistresses will emerge stronger as a result of it.

