

Darren Jones MP  
Chairman of the Business, Energy and Industrial Strategy Select Committee  
House of Commons  
London  
SW1A 0AA

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Dear Mr Jones,

1. Thank you for the opportunity to answer your questions. Being able to answer them well is important for sub-postmasters and their families, for the public, and for me.
2. Before I turn to them, I wish to share some thoughts.
3. Most importantly, I want to say that I am deeply sorry for those sub-postmasters who have suffered, for their families and colleagues, and for what they have been through. I have read many of their stories, and they are harrowing. They are with me every day.
4. I also wish to recognise that it is now clear from the judgments in the group litigation that there was a real risk – over a period of 20 years, beginning in 1998 - that sub-postmasters could be blamed for financial anomalies caused, not by their own fault, but by defects in the Horizon technology. For the avoidance of any doubt, I was and remain deeply disturbed by what has come to light: it is contrary to what I believed throughout my time as CEO of Post Office between 2012 and 2019.
5. In light of this, I welcome both this Committee's inquiry and the Government's announcement that there will be an independent review of the Horizon issues. I will do my best to assist both the Committee's investigations and, in due course, the independent review.
6. I am aware that there have been calls for criminal proceedings against Post Office and against institutions and individuals who were responsible for or involved with the investigation and prosecution of sub-postmasters who were affected by the defects in Horizon. I wish to state for the record that I do not accept any personal criminal misconduct.

7. I also wish to make the following points, not by way of caveat, but to provide context to the Committee's questions (and therefore my responses) which span two decades:
- (1) I became CEO of Post Office in April 2012, at the time of its separation from Royal Mail as an independent company with its own Board. I resigned as CEO in November 2018, formally leaving in April 2019, though I had stepped back from most of my duties in January 2019 due to family circumstances. Prior to my appointment as CEO, I had worked for Post Office since 2007 in a number of roles, most latterly, between October 2010 and April 2012, as its managing director.
  - (2) Post Office is a large and extremely complex organisation. Like most such businesses, it is managed through a system of committees which ultimately report to the Board. The composition of the Board changed over time: it initially consisted of the Chair, myself as CEO, the company secretary, the CFO, a senior independent director, and four non-executive directors. Sitting below the Board were the Group Executive, and committees and sub-committees covering areas such as audit and risk, operations, and IT. From time to time, ad hoc committees were set up to deal with distinct and important issues. As the BEIS Committee would expect, all key decisions were made by the Board collectively, very often following a recommendation by a committee or sub-committee or the Group Executive, all acting collectively.
  - (3) An important part of my mandate as CEO was to help to manage the transformation of Post Office into a self-supporting commercial organisation serving the public interest and the modernisation of the thousands of post offices within the branch network. This was a hugely complex task, which took many years and billions of pounds of investment by the shareholder, the UK Government. As a result, Post Office was able to offer new and more convenient services to the public, and to bring an end to the thousands of branch closures which had been a much-criticised feature of Post Office during its final decade as part of Royal Mail. But modernisation is not a single event: it is a continuum, and I believe that organisations must continuously change and improve across all areas of activity.
  - (4) Before I became managing director, I had no real involvement that I can remember in dealing with complaints about Horizon, and I had no responsibility for investigators or prosecutions. I began engaging with sub-postmasters' concerns around the system in about mid-2012 when I met with two MPs, Oliver (now Sir Oliver) Letwin and James

Arbuthnot (now Lord Arbuthnot), who raised concerns on behalf of constituents. I recall that I met Alan Bates, the founder of the Justice For Sub-postmasters Alliance (“JFSA”), around this time too.

- (5) These meetings, together with the ongoing campaign by JFSA, led to Post Office engaging Second Sight (a firm of forensic accountants with experience of forensic IT and information systems audit) to conduct a review of complaints about the Horizon system and to produce a report. In its first, interim, report in July 2012, Second Sight concluded that, while it had not found evidence of system-wide problems with the Horizon software, there were specific areas where Post Office should consider its procedures and operational support for sub-postmasters.
- (6) In 2013 Post Office set up a Complaints Review and Mediation Scheme (the “Scheme”) as a means of resolving sub-postmasters’ concerns about the Horizon system, and engaged Second Sight to investigate the individual complaints. Although many, if not most, of the complaints pre-dated the separation from Royal Mail, and many dated back to the early years of the Horizon system (which was introduced in 1998-2000), we saw the Scheme not only as a way of addressing historic complaints, but also as a way of identifying how Post Office could improve in the here and now.
- (7) The Committee may have the impression from previous evidence that the relationship with Second Sight was wholly negative, but from my perspective that is not right. Second Sight did valuable work in identifying specific areas where there was need for improvement. These included some sub-postmasters’ concerns about the consistency of training, the level of operational support, information resources, and investigations. Areas of operational support in retail businesses almost always offer opportunities for continuous improvement and Second Sight’s work pointed to areas where the Post Office could and should do so. Following consultation with colleagues I recommended to the Board in September 2013 that Post Office should not only seek to make detailed improvements in terms of support and resourcing (a process which had already begun by that point) but also bring about a broader cultural change to its relationship with sub-postmasters.
- (8) In July 2013, Post Office set up an initiative – the Branch Support Programme, later renamed the Business Improvement Programme – to proactively identify areas for improvements, and to invest in training, operational support, information resources, and

new technology. It also enacted reforms to procedures for investigations, suspensions, and terminations. This was not a single event: over a number of years we considered and re-considered ways in which we could improve the experience of sub-postmasters and Post Office colleagues, and deliver a better and more cost-effective service to the public. I believed at the time that this was the right way to address sub-postmasters' concerns, i.e. to seek to prevent the kind of issues that had arisen in the past, as reported by Second Sight, by better support and resources.

- (9) An organisation like Post Office does not change easily or quickly. It required a great deal of hard work by many colleagues and a large investment by the business to drive and implement these initiatives. I do not claim that all the initiatives were perfect, or that they were perfectly implemented. However, they were intended to deliver real benefits to the public, the institution, and sub-postmasters, and I believe that they did so.
  
- (10) What I did not know during my tenure as CEO was that many of the problems encountered by sub-postmasters could have been caused by the defects which the Judge in the group litigation found to have existed in the Horizon technology. It is important, when referring to Horizon, to understand that there are three distinct technologies. The first version, which the Judge found was seriously compromised by bugs and defects, was introduced in 2000 and replaced in 2010, before I became CEO ("Horizon 1"). The version in use during the majority of my tenure ("Horizon 2"), was found by the Judge to be an improvement on Horizon 1, but still not sufficiently robust. A series of decisions we took in 2014 led to the introduction in 2017 of a third system ("Horizon 3"), which the Judge found was far more robust than its predecessors.
  
- (11) The message that the Board and I were consistently given by Fujitsu, from the highest levels of the company, was that while, like any IT system, Horizon was not perfect and had a limited life-span, it was fundamentally sound. I believed that it was reasonable for the Board to rely on these assurances: Fujitsu was a respected global IT company, it had many other governmental and high-profile customers, and from my experience of working with Fujitsu it appeared to be well-led and professional. Regular tests and audits of the control and management environment at Fujitsu resulted in recommendations being made for improvements, but nothing which undermined Fujitsu's apparent honesty and professionalism. Furthermore, the vast majority of sub-postmasters did not report the kind of problems which featured in the Scheme complaints. It was used to process millions of transactions every day without widespread reported problems.

(12) In short, while I knew that there were complaints around Horizon, I believed, for the reasons given above, that concerns about the operation of Horizon 2 could ultimately be addressed by reforms and investment in training and the other areas I have mentioned. That is what we tried to achieve from 2013 onwards whilst putting together the investment case for the introduction of Horizon 3. We also spent a great deal of time investigating the non-criminal historical complaints relating to Horizon 1 and hoped that these could be resolved through the Scheme. Criminal cases were referred to the Criminal Cases Review Commission (“CCRC”).

(13) I understand from the judgments in the group litigation, that Horizon 1 and, to a lesser but still serious degree, Horizon 2, were compromised by bugs and defects. I deeply regret that this was not identified by Post Office sooner and that these problems were not resolved during my time as CEO.

**1. You have said it remains a source of great regret to you how sub-postmasters and postal workers caught up in the Horizon case were affected over so many years. Can you explain what the source of your regret is and, if you are sorry, what you are sorry for?**

8. I wish to repeat the apology that I have consistently offered and it will always be true.
9. It was, remains, and always will remain, a source of great regret to me that these colleagues and their families were affected so deeply over so many years. That they were accused of impropriety when there may have been none - I can barely contemplate how that must have felt. I am truly sorry for the distress they suffered.
10. I am sorry for the hurt caused to sub-postmasters and colleagues and to their families and I am sorry for the fact that during my tenure as CEO, despite genuinely working hard to resolve the difficulties, Post Office did not identify and address the defects in the Horizon technology. This regret is constantly with me.

**2. Do you accept there were significant errors with Horizon and that the lack of a suspense account for sub-postmasters to park significant shortfalls was a mistake?**

11. I accept in full the Judge’s findings about the defects that existed in Horizon 1 and Horizon 2, and that Horizon 3 was far more robust than its predecessors.

12. The suspense account issue relates to the procedures around disputed shortfalls. I accept now, and I would have accepted at the time, that this was an area where Post Office needed to improve, both in terms of preventing disputes from arising in the first instance, and of dealing with all and especially complex disputes effectively when they arose. One improvement we made in the first category was the introduction of technology, called HORice, which could help identify anomalies before they escalated into large losses. In the second category, in 2018 we introduced a document-based system for sub-postmasters to raise disputes about shortfalls. I accept, having read the judgments in the group litigation, that it would have been an improvement to our systems to have a separate formal suspense account for escalated disputed sums.

**3. How would you answer those sub-postmasters and postal workers who said that the Post Office Investigation Branch was more interested in asset recovery than finding the source of errors in Horizon and that they felt they were treated as if they were guilty until proved innocent?**

**4. Did the Post Office Ltd Board review the approach and attitude of Post Office investigators at any point during your tenure as CEO? If so, how many times and what was the outcome?**

**7. Did Post Office Ltd track the impact that investigations were having on individual sub-postmasters and postal staff? What duty of care was exercised?**

13. These questions raise similar issues and so I will address them together.

14. Post Office owes a duty to take reasonable care of its postal staff, and sub-postmasters.

15. Post Office is a custodian of public funds, and it must take steps to safeguard those funds. Investigations play an important role in that, but they must be professional, objective, and impartial.

16. I have heard and read in the media about incidents where sub-postmasters felt that Post Office investigators fell below the appropriate standards. Regardless of whether those incidents took place during my time as CEO or before, I am deeply sorry for them. Colleagues should be

treated with dignity and respect and all the more so when they are dealing with the pressures and uncertainties of an investigation.

17. As I have said, the Scheme and the work of Second Sight was a way for us to consider our procedures and practices and to make operational adjustments where we could. As a result of the feedback received both before and during the Scheme, in July 2013, I initiated the Branch Support Programme, with a mandate (a) to review the support we gave to sub-postmasters over the entire lifecycle of their engagement; and (b) to make improvements. The Programme initially focussed on a number of areas of concern highlighted by Second Sight, including some reported experiences of dismissive or unsympathetic behaviour during investigations. Although I believe that many of these experiences related to the pre-separation period and Horizon I, we saw this as a catalyst to review our current approach and procedures.
18. The investigation process was therefore one of the first things Post Office looked at under the Branch Support Programme. By March 2014, we had made two major reforms to improve our services and to reduce the impact of investigations on sub-postmasters and Post Office colleagues:
  - (1) We would no longer suspend sub-postmasters under investigation unless there was a high risk to Post Office or the public.
  - (2) Post Office introduced a new category of action called “suspended termination”: this meant that even when there were grounds for terminating a sub-postmaster’s appointment, Post Office would consider the mitigating circumstances and keep the sub-postmaster in post unless there was another breach.
19. I also believed that the need to carry out their work objectively and courteously was embedded within the investigations team.
20. The initiative was renamed the Business Improvement Programme when it was expanded in mid-2014 with the aim of embedding broad cultural change based around three core principles:
  - (1) treating people with dignity and respect;
  - (2) standing in the sub-postmaster’s shoes; and
  - (3) getting things right first time.
21. In May 2014 the Programme received investment of £8.678 million from Post Office’s Finance Committee. These funds were used, amongst other things, to invest in training, operational

support, technology to identify and resolve problems, and improve centralised record keeping. A further round of recommendations was made in December 2015 in light of concerns raised in the Scheme and in Second Sight's final report. As I said in the introduction to this letter, there was not just one review, but an ongoing process of review and improvement, which continued throughout my time as CEO.

22. If I was still in post as CEO, I would have full access to papers and other records of how these initiatives panned out and be able to give the Committee a comprehensive overview. But I am not, and the best I can do in my current situation is to provide examples of the range of measures that were introduced as a result of the Programme:

- Improved classroom training for sub-postmasters, including training to focus on how to look for and deal with discrepancies.
- The introduction of new online training modules.
- Increased support for branches experiencing problems that were recurring or which could not be resolved by the Network Business Support Centre ("NBSC")
- Post Office began analysing calls to NBSC to identify the most regularly reported problems and to map out solutions and to proactively call at-risk branches.
- Improved procedures for particular types of transactions where problems had been reported.
- New technologies (such as HORice) to improve our ability to identify problems and prevent large losses.
- The setting up of a Branch User Forum, giving sub-postmasters direct input into Post Office operations.

23. In addition to the above, Post Office set up an Operations Board with oversight of service levels and back-office support to branches.

24. In summary, what we set out to do was first to introduce support measures which – we hoped – would reduce the need for investigations, and second to reform the investigation procedure itself.

**5. Were you comfortable as Post Office Ltd CEO that your organization was prosecuting sub-postmasters without recourse to the CPS?**

**6. What checks were in place to make sure prosecutions were based on sound evidence?**

25. I ask the Committee to bear in mind two things.

26. First, I played no role in investigatory or prosecutorial decisions or in the conduct of prosecutions. There was full separation of powers, with the team responsible for prosecutions reporting to the General Counsel. It would have been inappropriate for me to involve myself in operational decisions made on a case by case basis.

27. Second, I am not a lawyer. Post Office relied on lawyers (both internal and external) for advice in relation to criminal matters, and lawyers held the operational responsibility for investigating and prosecuting criminal misconduct. My main role, and the role of the rest of the Board, was to set policy, informed by legal advice.

28. I recall that I first raised the issue of Post Office prosecutions with the then General Counsel shortly after I became CEO because I wanted to understand the rationale for the policy. It was explained to me that the practice was an inheritance from Post Office's days as a division of the Royal Mail; that it was a long-standing arrangement that had been reviewed by Royal Mail management in the past; that it was practically necessary given the pressure on the CPS budget; and that Post Office approached prosecutions with the same rigour as the CPS, that it is to say that we applied the Police and Criminal Evidence Act 1984 and the Code for Crown Prosecutors. The application of the Code meant, as I understood it, that decisions to prosecute were made by applying two tests: first, whether there was sufficient evidence to provide a realistic prospect of conviction and second, whether a prosecution was required in the public interest.

29. Although it seemed there were good reasons in principle for Post Office to continue the practice of bringing private prosecutions, the Board adopted a new prosecutions policy in February 2014 to focus on the most egregious cases of wrongdoing (e.g. cases involving thefts from vulnerable people).

30. As evidenced in a response dated 26 September 2016 by Post Office to a Freedom of Information Act request about the number of prosecutions brought by Post Office per year

between 2010 and 2017 for false accounting, inflating figures, or theft, prosecutions effectively ceased during my tenure as CEO. According to the figures supplied by Post Office, there were 42 prosecutions in 2012/2013; 2 in 2013/2014; none in 2014/2015; 1 in 2015/2016; and none in 2016/2017. This accords with my recollection that the change of approach effectively stopped private prosecutions except in extreme cases.

31. Regarding the question of evidence, first, as I say, it was my understanding from discussions with the in-house legal team and Post Office's external criminal solicitors that Post Office applied the same procedures and tests as the CPS regarding the collating and consideration of evidence. Secondly, in cases involving technical IT issues, we often obtained input and evidence from Fujitsu (which at the time I believed was acting properly). Thirdly, an additional layer of oversight was provided by the courts and the CCRC. Fourthly, in July 2014, Post Office engaged a senior criminal QC to advise on the response to a letter received from the CCRC regarding convictions relating to Horizon, and also to advise on prosecution related issues. In referring to this advice I do not and do not intend to waive any privilege of Post Office or myself, if any, over the advice the criminal QC gave.

32. As regards the question of what checks were in place to make sure prosecutions were based on sound evidence, the Board and I were assured by in-house and external lawyers that the Code for Crown Prosecutors was being followed and therefore that the first limb of that test (i.e. was there a realistic prospect of conviction on the evidence) was being dealt with properly. Whether the specific evidence was sound in any one case was a matter for their judgment and not mine: it would have been wrong for me to become involved unless of course I became aware of a systemic problem, which I did not. I should add that Post Office was also mindful of its disclosure obligations in relation to convictions. When we went through the Scheme, Post Office lawyers considered each and every case in the Scheme where there had been a conviction in order to assess whether there was anything that had emerged from the Scheme which Post Office was obliged to disclose.

**8. During your time as CEO, was Post Office Ltd logging Horizon errors reported across the network and if so how many were logged and what actions were taken as a result?**

33. To answer this question, I would need a huge amount of Post Office information, including technical information and data, that I don't have and would not be able to obtain or analyse within a reasonable timeframe. I should say that the Board and I rarely, if ever, saw the kind of technical IT data that would be necessary to answer this question in full. In particular, we

never saw two forms of data created and held by Fujitsu which were the subject of close examination at the second group litigation trial and which were highly influential to the Judge's findings on the IT issues: these were the PEAKs (not an acronym but the term used by Fujitsu for the documents recording error fixes) and Known Error Logs (or KELs). I can therefore only answer this question from my own knowledge in more general terms.

34. The term "errors", which the Committee has used in its question, could cover a number of distinct concepts, including first, software bugs and defects of the kind with which the group litigation was concerned; secondly, outages and failures affecting all or part of the network; and thirdly, security and control issues.
35. If a software fault or defect was reported to the NBSC, a log would have been kept of the call, and Fujitsu should have been alerted. Fujitsu needed to be alerted because the IT technology itself was operated and monitored by Fujitsu in its own operations centres. Fujitsu itself should have maintained logs of all bugs and defects and the measures taken to deal with them (regardless of whether a defect was first reported to Fujitsu by Post Office or a sub-postmaster, or identified by Fujitsu). I also understand that, under its contract with Post Office, Fujitsu was obliged to inform Post Office of IT errors, and what had been done to correct them.
36. It is a truism that all IT systems contain bugs and defects, and I knew that there were or had been bugs in Horizon (because I was told about them). I also believed that bugs and defects were being properly reported, and being dealt with as and when they arose. As I have mentioned above, I had confidence in Fujitsu's management, and Post Office had a dedicated IT team led by a Chief Information Officer ("CIO"). There were three CIOs during my time as CEO and I had confidence in them all. In short, I believed that the systems for reporting, investigating, and rectifying defects were working as they should.
37. Whenever I was told about a bug in Horizon, I wanted to know what was being done about it, and to be given confirmation that it had been resolved satisfactorily, both in terms of the technical IT, and also to ensure that any problems the bug or defect had caused at branch-level were identified and reversed.
38. Significant outages or failures, which could or did have a major impact on the business, should always have been reported to the Group Executive and the Board, and after the Operations Board was created and a new CIO appointed in around 2015, the process became more

structured and disciplined. Once a problem of this nature was identified, it remained on the Board's agenda until it was fixed. Where there were problems affecting the network or multiple branches, I would convene a working group to resolve the matter.

39. Turning to controls and security, these were the subject of audit by external consultants, including Post Office's auditors, Ernst & Young ("E&Y"). I wish to mention one such audit – in 2011 – because I have recently seen it suggested that the Post Office knew, or should have known, from the audit that there were serious problems with Horizon, of the kind which was revealed by the group litigation. I believe that I have a reasonably good recollection of the E&Y audit and its aftermath, and what has been reported in the press is not correct.

40. In their 2011 audit E&Y identified weaknesses in the control and security environment at Fujitsu's operation centres and recommended certain improvements, but noted that the newly appointed CIO had the capability to drive the necessary changes. As a result, Post Office instructed E&Y going forward to conduct more in-depth audits using the SAS70 model, which I understood was the gold standard for IT audits. In 2012 and 2013 E&Y noted improvements to controls and security, and made less significant recommendations for further improvements. Indeed, in their 2013 management letter, E&Y reported that focused management action had addressed many of the issues raised in previous years' audits, and that management was continuing to take steps to address challenges in the IT environment. Accordingly, while the 2011 audit raised concerns around controls, the outcome was ultimately positive.

41. So far as I am concerned, the E&Y audits are not an example of Post Office getting things wrong. They are an example of Post Office acting responsibly in response to evidence and expert recommendations.

**9. There were 500 claimants involved in Bates v Post Office and we were told by witnesses that many more did not take part for fear of the possible consequences. How many cases were you aware of when you were CEO and did the number of cases raise alarm bells with you and your board?**

42. I am not certain we ever had a definitive figure: but we knew that the numbers were relatively large, and increasing, and yes, they did raise concerns - not only because of the numbers but also because of the nature of the allegations.

**10. The Judge in Bates v Post Office stated that Post Office Ltd had operated with a culture of “secrecy and excessive confidentiality”. Did you as Post Office Ltd CEO over see a culture of “secrecy and excessive confidentiality”; Was Post Office Ltd, as the Judge stated, fearful of what it might find if it looked too closely at Horizon?**

**12. Do you regret that following Bates v Post Office Limited that Post Office Limited had not been fully transparent and open?**

43. The general description of Post Office during my time as CEO isn't one I recognise. The culture I recognise overseeing in Post Office was one of openness to challenge and a desire to make sub-postmasters and Post Office sustainably successful and accessible for all. During this time Post Office involved sub-postmasters (independently of the NFSP) more than ever in improving how the business could be run. Personally, I visited the operations centre frequently to understand and follow through how we could improve things, partly because of the historic shortcomings, but also because it is the right way to run a business. I led a team who had an ambition of continuous improvement in order to support and benefit those running post offices.

44. I recollect the culture being open and inclusive. I believe I helped create a culture that welcomed input and criticism as that is how we learned. Personally, I held regular “grill the CEO” sessions (joined by other senior managers and directors and occasionally the chairman) so that we could be challenged; I supported sub-postmaster events, and I visited remote post offices with MPs.

45. However, as CEO I was not involved in every decision made by the business in relation to confidentiality and transparency. I have no doubt that the business sometimes got the balance wrong between protecting confidential information and the need for transparency. But as I say this was not my general experience of the business.

46. Specifically in relation to Horizon, it is an important part of corporate leadership to ask difficult questions. During my time as CEO, the business worked hard to understand the causes of the historical reported problems with Horizon 1 and how, going forward, to improve sub-postmasters' experience of operating Horizon 2. It now appears that the answers that came back to these questions were only partially correct. Yes, there were improvements we could make to procedures, and yes, the business needed to invest in the sub-postmaster relationship. But what appears now to have been the actual or potential root cause of many reported

problems, namely the defects in the IT, was not uncovered: the problems with Horizon 1 and 2 were not apparent to the Board, which was assured by Fujitsu and trusted colleagues at Post Office that there were not - and there had not been - any systemic problems with the system.

47. The Judge in the group litigation found that information did not consistently flow between Fujitsu and Post Office as it should have done, and some information which the Judge considered important was not acted upon quickly enough or became siloed in parts of the Post Office and not, it seems, brought to the attention of senior management. As a result of the group litigation, I am aware of one instance (see my answers to question 14, para 54) where I was given information that the Judge found was wrong. It is hugely regrettable that the defects were not identified sooner, and I can only say that I am sorry for it.

**11. Second Sight told us that Post Office Limited obstructed their access to legal files to review cases as part of the Complaint Review and Mediation Scheme. Did you as Post Office Ltd CEO actively stop files and information being released to Second Sight when requested? Why were they refused access to files?**

48. I believe that I first became aware of this issue when I gave live evidence to the Committee alongside Ian Henderson of Second Sight in February 2015. I told the members of the Committee that I would look into the matter and would come back to them, which Post Office did in follow-up written evidence provided to the Committee in March 2015.
49. The Scheme was governed by a Working Group which was to agree the methodology for the operation of the Scheme and identify the cases which were suitable for mediation: this part of the Scheme was called the "Complaints Review". The Working Group consisted of representatives of Post Office, JFSA, Second Sight and it was chaired by Sir Anthony Hooper, a former Court of Appeal judge.
50. Post Office decisions in relation to the Scheme were discussed in the first instance by an ad hoc Board sub-committee, consisting of the then Chair (Alice Perkins), myself, and two non-executive directors. Meetings were attended by, among others, the General Counsel and the company secretary.
51. I understand that, in 2015, the Working Group decided that, in cases where there had been a prosecution, Second Sight would be given access to all of the documents that would have been available to defendants and their lawyers, plus any documents that had come to light

subsequently. Some time later, Second Sight began to request access to Post Office's internal prosecution files. Its justification for the request was that Second Sight wanted to assess whether Post Office had complied with the Code for Crown Prosecutors.

52. As Post Office informed the Committee in follow-up written evidence in March 2015, Second Sight had been given access to everything in terms of prosecution material that the Working Group had decided they should be given access to. This was not, itself, a reason to refuse additional documentation. The decision that was made, collectively by the Board sub-committee, was that Second Sight would not be given access to the internal files. Firstly because the documents were legally privileged and, as I understood it, it had never been agreed that Second Sight would be given access to privileged material. Secondly, it was the view of Post Office that the conduct of prosecutions was outside the scope of the Scheme. Thirdly, Second Sight, as forensic accountants, had no expertise to consider legal matters.

**13. Second Sight also told us they suspected that money paid in by sub-postmasters to cover shortfalls may have ended up in Post Office Ltd's central suspense accounts and ultimately its profit and loss account. Did Post Office Ltd, as they contend, frustrate them in investigating this possibility and did you as CEO look into this. Do you think this could have been a possibility?**

53. I have very little recollection of this issue and I can only tell the Committee what I now recall. I believe that Second Sight raised it with me in conversation. Since it was a technical financial control issue, I asked the CFO to look into it, and I can see from the transcript of the evidence to the Committee on 2 February 2015 that Second Sight had already met with the CFO to discuss the further information they said they required. I cannot remember how this was resolved, but I do not recall any further communication from Second Sight to me on this issue.

**14. In 2015 you asked internally whether sub-postmaster's transactions could be accessed and altered centrally without their knowledge. You were told that this was not possible. Do you think with the benefit of hindsight that you might have been badly advised? Were you provided with subsequent information that changed your understanding? How do you explain the revelation during Bates v Post Office that local branch transactions could indeed be accessed and altered centrally?**

54. Given my personal involvement, I have read with particular care the parts of the Bates v Post Office judgment which deal with remote access. The Judge was absolutely right to conclude

that I was trying to get to the truth. The issue of whether Post Office or Fujitsu had the ability to access and alter branch information remotely had been raised during my evidence to the Committee in February 2015. I wanted to give an answer that was direct and factually accurate. I raised this question repeatedly, both internally and with Fujitsu, and was always given the same answer: that it was not possible for branch records to be altered remotely without the sub-postmaster's knowledge. Indeed, I remember being told by Fujitsu's then CEO when I raised it with him that the system was "like Fort Knox". He had been a trusted outsource partner and had the reputation of a highly competent technology sector CEO. His word was important to me.

55. It is clear with hindsight that the information I was given about remote access was seriously inaccurate. I only became aware of this from the litigation, after I had left the Post Office. If I had become aware during my tenure as CEO that the information I passed on to the Committee was wrong, I would have informed the Committee immediately and launched an investigation into how I came to be misinformed. Today, I have no means of finding out any further details, and I do not believe I would be helping the Committee by speculating.

**15. Why did you scrap the Complaints Review and Mediation Scheme and do you now regret scrapping it?**

56. I first want to clarify what happened. In March 2015, Post Office took the decision to end the Complaints Review (and therefore the role of the Working Group) and to push all cases in the Scheme through to mediation, apart from where there had been a conviction: in those cases, Post Office took the view that the CCRC was the correct route, indeed the only possible legal route, for the individual to challenge their conviction. Accordingly, the mediation process (overseen by the Centre for Effective Dispute Resolution) continued: it was only the machinery of the Working Group which ended. Post Office funded Second Sight to complete its final report, and all applicants received a copy. We also funded the production by Second Sight of individual case reports for the Scheme applicants to use at their mediations.

57. This decision was made after lengthy discussions at both sub-committee and Board level. From the perspective of Post Office, there were a number of problems with the Scheme by 2015, including that JFSA was promoting group litigation as an alternative to the Scheme and becoming increasingly less collaborative as a result. Also, the Scheme was simply taking too long: its progress had been greatly delayed by disagreements within the Working Group as to

whether individual cases should proceed to mediation. We believed that it was in the interests of the Scheme applicants for all cases to flow through to the mediation stage.

58. Even with the benefit of hindsight, I do not believe that the Scheme would have been a solution. The main practical problem was that, as the Scheme took such a long time to progress, the group litigation gained momentum and for many sub-postmasters the litigation became the preferred route for raising these issues: that was certainly the position, we believed, of JFSA. Indeed, my recollection is that over the months that followed the end of the involvement of the Working Group, the mediation aspect of the Scheme more or less petered out, as more sub-postmasters joined the group litigation.

**16. How regularly did the Post Office Ltd Board discuss Horizon and what role did UK Government Investments play in these discussions?**

59. Horizon came up, in different ways, at the majority of Board meetings. For example, we discussed the relationship with Fujitsu and plans for the replacement of the existing Horizon system. Whenever there had been a test or audit of Horizon, the Board would be informed. The Board was also informed of any major outages or faults, and the steps that had been taken to rectify them. We also discussed the complaints, the Scheme, and the group litigation.
60. Additionally, a Board sub-committee was set up under each Post Office Chair (there were two during my tenure as CEO). These sub-committees were chaired by the Chair and occasionally by the Senior Independent Director (two different individuals over time), who was also a member of the sub-committee, as was each UKGI director who sat on the Board. The UKGI directors were fully engaged in the discussions and Post Office (including myself and each subsequent Chair) had conversations with their senior line director and the Chief Executive of UKGI too from time to time. The present UKGI incumbent director joined the Board in 2018 with a fresh pair of eyes. His questioning was challenging and because of that it was helpful; it did not lead to any different outcomes. He was fully engaged on the Board, sub-committee and with ministers and lawyers at BEIS.

**17. Lord Callanan has stated that on Horizon, Post Office Ltd “clearly misled” BEIS officials, while the Minister has told this Committee that the advice Post Office Ltd gave BEIS was “flawed”. Did Post Office Ltd under your watch mislead BEIS officials with flawed advice and, if not, are Government Ministers wrong?**

61. I do not know whether the Minister had any specific episode or episodes in mind when he made these recent comments. During the time I was CEO, I was often involved with material prepared for meetings with BEIS colleagues. I would never have presented anything to BEIS that I believed to be untrue or misleading, nor would I have allowed anyone else to do so.

Yours sincerely,

A handwritten signature in black ink that reads "Paula Vennells". The signature is written in a cursive style and is positioned above a solid horizontal line that serves as a separator.

Paula Vennells