



Department for
Business, Energy
& Industrial Strategy

Lord Callanan
Minister for Climate Change and Corporate
Responsibility

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Dear Lord Arbuthnot,

Post Office Ltd. Horizon Court Case

During the 25 February debate on the Post Office litigation in the Moses Room, I committed to respond in writing to several questions for which there was not time for me to respond during the debate.

This has been a difficult period for postmasters, who are the heart of communities across the UK. As I said in response to a Parliamentary Question on 5 March, whilst the financial settlement reached between the parties is a significant step in the right direction, there is much more for the Post Office to do to “reset” and strengthen its relationship with postmasters.

Nick Read, the new Post Office CEO, has committed to a major programme of work to overhaul the Post Office’s relationship with postmasters, to put them at the heart of its business alongside its customers and to improve the way in which postmasters engage with the Post Office.

This means the company fostering a genuine commercial partnership with postmasters, where the necessary support for them to operate branches successfully is available. This is already underway. The Post Office has put in place more personalised support for postmasters which includes 94 new area managers, an overhaul of training, an improved Branch Support Centre and above all a further increase in remuneration (up 10% from 2018/19).

Both Nick and the Post Office Chair, Tim Parker, have personally assured Ministers that this programme is of the highest priority for Post Office Ltd. Ministers and officials will raise this at their regular meetings with the Post Office and hold them account.

Steps Taken by BEIS

Over the past 18 months BEIS, working with UKGI, has strengthened its governance relationship with the Post Office to mitigate the risk of a situation like this arising again in the future. This includes:

- Establishing and growing a BEIS Post Office policy team, with a dedicated SCS Policy Sponsor, to engage with the Post Office;
- Quarterly meetings with the Post Office CEO to monitor progress against the actions arising from the litigation;
- Regular engagements with postmaster representatives including chairing a quarterly meeting with the National Federation of Subpostmasters (NFSP). BEIS also engages with Communication Workers Union (CWU) to further understand postmaster views;
- Drafting a new Framework Document between BEIS, UKGI and the Post Office that sets out and formalises governance relationships and roles, including an information sharing protocol. This will be published shortly.

Independent Review

As my honorable friend, Paul Scully MP, outlined at BEIS Orals on Tuesday 3 March, Government has committed to an Independent Review into the Post Office and we are looking at the best way to take this forward. Government will make a further announcement on the Independent Review in the very near future. I understand members will be keen to hear progress on this, but I would like to sincerely emphasise the importance of getting the terms of the review right for postmasters before the scope is confirmed.

It is of course of the upmost importance that any review does not interfere with the work of the Criminal Cases Review Commission (CCRC), who are reviewing a number of cases in relation to the Horizon litigation, or the separate considerations of the Director of Public Prosecutions.

Fujitsu

When handing down the Horizon Issues judgment, Mr Justice Fraser raised concerns in relation to the veracity of the evidence given by Fujitsu employees to other courts in previous proceedings about the known existence of bugs, errors and defects in the Horizon system. He referred his concerns to the Director of Public Prosecutions (DPP). To be clear, this was not in relation to Post Office employees. It is a matter for the DPP to consider what action, if any, he would like to take.

Accountability at the Post Office

The Horizon system was introduced in 1999, with some claims in the group litigation stretching back as far as then. At this time the Post Office was part of Royal Mail Group and

remained so until their separation in 2012. This predates the involvement of all the Post Office's current board. Paula Vennells became the Post Office Ltd CEO on 1 April 2012, following the split from Royal Mail Group, having previously been Group Network Director.

I am aware that in February 2019 Paula took up a role as a Non-Executive Director at the Cabinet Office, which she held until she stood down earlier this month as part of a wider refresh of the CO board. Paula was appointed after a fair open process. Cabinet Office Board Members are a matter for the Cabinet Office.

Paula is also Chair of the Imperial College Health NHS Trust. I understand the Care Quality Commission has written to Imperial following a Fit and Proper Persons Referral. It would not be appropriate for Government to comment while her case is under consideration.

In September 2019, the Post Office, with Ministerial approval, appointed a new CEO, Nick Read, and Government has recently approved the appointment of two new Non-Executive Directors.

Both Nick and Paula have apologised for the Post Office, in the past, falling short of its high standards. Mediation occurred under Nick, who is personally making sure that measures to address the judge's criticisms and associated culture change are followed through.

These positive appointments are an important step for the Post Office to implement improvements to the way the organisation is run along with its relationship with its postmasters. BEIS is determined to see clear evidence that progress is being made against these commitments.

Compensation

Government is aware of the speculation around the amount received by postmasters following the settlement. Mediation took place between the parties and the Post Office in confidence and, whilst I can confirm the total amount of the settlement, £57.75m, Government was not party to these discussions. Mr Alan Bates subsequently provided oral evidence at the BEIS Select Committee session on 10 March indicating the figure received by postmasters to be around £11 – 11.5m.

I do not think anything can replace the years lost and lives affected by the issues highlighted by the litigation on postmasters, their families and the communities in which they serve. It is highly regrettable that it has taken this long, approaching 20 years in some respects, to get to the truth and for postmasters to reach a financial settlement with the Post Office.

However, the settlement agreed by the claimants with the Post Office included all legal and other costs. In those circumstances Government cannot accept any further request for payment.

Furthermore, the settlement agreement between the Post Office and the claimants includes a number of significant commitments, not least for the Post Office to establish a scheme to address any outstanding issues in respect of historical shortfalls for postmasters who were not part of the Group Litigation. On its design the Post Office engaged with the claimants in the settled litigation, to ensure the scheme process was fair. Post Office currently plan to open the scheme on Friday 1 May 2020.

In Closing

The Post Office, under its new CEO, has accepted it got things wrong, apologised and has said it aims to re-establish a positive relationship with postmasters. My department is working actively with the Post Office on this matter and will hold them to account on their progress.

I hope you find the contents of this letter useful and thank you all for continuing to champion postmasters for the vital role they play across the country.

A handwritten signature in blue ink, appearing to read 'Martin Callanan', with a long horizontal flourish extending to the right.

Lord Callanan