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Post Office Horizon System

Motion made, and Question proposed, That this House do now adjourn.—(Kris Hopkins.)

11.2 pm

Andrew Bridgen (North West Leicestershire) (Con): I pay tribute to the work carried out on this issue by James Arbuthnot, the former Member for North East Hampshire, and Mike Wood, the former Member for Batley and Spen, both of whom I worked with for more than two years in a working party in search of a fair settlement on this matter. Unfortunately, throughout the process we all lost faith and trust in the Post Office's willingness to investigate the issue properly and thoroughly.

To give some background on how the Post Office has let down sub-postmasters and Members of this House throughout this process, let us consider how it has dealt with the matter from the outset. The Horizon accounting system used by sub-postmasters was introduced some 15 years ago. Almost immediately, a spate of discrepancies began to appear as sub-postmasters attempted to balance their accounts at the end of the day. From that time forward, there has been failing after failing on the part of the Post Office.

The Post Office has finally acknowledged that its help system for the Horizon software was completely inadequate, but even with that admission the Post Office continues in its failure to demonstrate any appetite to deal with issues arising from the Horizon system in a fair and transparent way.

Jim Shannon (Strangford) (DUP): Is there not something disgraceful in the fact that criminal charges were pressed against these sub-postmasters and sub-postmistresses when the fault lay with the Post Office, yet nearly two years after the investigations those charges have not been lifted? The shadow hanging over their heads has not been lifted either. Does the hon. Gentleman not feel that it is time to bring that to an end?

Andrew Bridgen: The hon. Gentleman tells a tale which has been told too long to the working group. We need to bring matters to a head and I hope the debate tonight will give us an opportunity to do so.

The mediation scheme that was set up to handle disputes about the software system has not delivered what Members of this House had understood was agreed at its inception. It was flawed in a number of ways, the most significant being that it excluded those who had pleaded guilty.

Mr Ranil Jayawardena (North East Hampshire) (Con): My constituent, Jo Hamilton, has her case in front of the Criminal Cases Review Commission. Does my hon. Friend agree that for those who pleaded guilty, the CCRC should be given powers to obtain all the papers that it needs from private sector organisations and full access to all Post Office files?

Andrew Bridgen: My hon. Friend makes a good point and he is right. Many people pleaded guilty on advice from lawyers or out of fear of losing their liberty in a lengthy and expensive court battle with the Post Office.

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The House should know that the Horizon system has no adequate suspense account function, so it pushes the sub-postmaster who wants to balance his books when the books actually do not balance. This is false accounting and a criminal offence. However, I have seen correspondence that shows that the Post Office has advised sub-postmasters to keep any surplus balances that they discover at the close of business in their safe so that they can put them back when they have a shortage. That is also false accounting and is also a criminal offence.

A further flaw is the fact that issues of concern to the forensic accountants Second Sight, appointed by the Post Office at the request of the working group to assess independently the mediation cases, have been specifically excluded from mediation—for example, the absence or the ignorance on the part of the sub-postmaster of the contract they were under, and the failure of audits and investigation—despite the agreement of Post Office Ltd with Members of this House that the scheme would cover all these issues. This is resulting in what I believe to be 90% of the cases in dispute being excluded from the mediation scheme. This mediation has proven to be a shadow of what was agreed with Members.

I first became involved in this matter several years ago when my constituent Michael Rudkin brought his case to me. My constituent had 15 years' experience as a postmaster and served as a senior member of the national executive. Indeed, he was chairman of the negotiating committee, the most senior post within the National Federation of SubPostmasters, responsible for national negotiations with Post Office Ltd and Royal Mail Group. In short, my constituent knew his job and the organisation inside out. He knew the organisation to the extent that on a visit to the Post Office headquarters in Bracknell, he was shown in error a room where operatives had remote access to the Horizon software and it was demonstrated to him how postmasters' accounts could be altered remotely. The House should know that the Post Office has always maintained that it is not possible to alter accounts in a sub-post office remotely. However, it has recently admitted that this was not the truth.

In a debate in December I went into the details of Mr Rudkin's case. To summarise, his post office branch had a loss in the accounts in excess of £44,000. He was absolved of any knowledge of this loss by Post Office Ltd but ordered to pay back the money at £1,000 per month from his salary. After he had paid back £13,000, Post Office Ltd started proceedings against Mr Rudkin's wife for theft and false accounting. It also applied for a confiscation order to be placed on all his property and had his bank accounts frozen using the Proceeds of Crime Act 2002. This all occurred after my constituent had witnessed the operatives in Post Office headquarters demonstrating their remote access to the Horizon system.

My constituent has gone through the mediation scheme and his experience is that the professional advisers, Aver Ltd, Bill Cleghorn and Emma Porter, are very good. Second Sight has been extremely fair, professional and accurate in its analysis of both systemic and thematic issues within Post Office Ltd. However, the same cannot be said of the Post Office itself. I and my constituent have no faith in its ability to resolve the matter. It is said that justice delayed is justice denied, and this matter has

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simply dragged on for too long, with the Post Office seemingly looking for ever more reasons to delay the truth of the matter coming out.

Peter Heaton-Jones (North Devon) (Con): In the past five days I have been alerted to a case in my constituency. Very briefly, the sub-postmistress emailed me to say:

“My post office has been audited today and has been closed due to financial discrepancies as a result, I believe, of the inadequacies of the Horizon system.”

That has left the village without a post office service, and obviously it is also putting an intolerable strain on my constituent. I would be grateful if my hon. Friend and the Minister would consider the impact that that is having.

Andrew Bridgen: My hon. Friend is quite right. When we hear a Post Office spokesperson stating,

“I am really sorry if people have faced lifestyle problems as a result of their having been working in Post Office branches”,

we have to wonder whether the organisation is even aware of the misery it has caused. The fact that Post Office Ltd believes that honest, decent, hard-working people losing their homes, their businesses, their savings, their reputation and, worst of all, in some cases their liberty can be quantified as a “lifestyle change” only serves to show that the organisation is not fit to conduct an inquiry into the matter.

The Post Office mediation scheme has proven to be a sham, Second Sight has proven to be far too independent for the Post Office to stand, and the disdain that has been shown to Members of this House and to sub-postmasters is a disgrace.

Matt Warman (Boston and Skegness) (Con): Does my hon. Friend agree with my constituents Mr and Mrs Hedges, who are sub-postmasters, that in this case the Post Office has treated not only them but this House with contempt?

Andrew Bridgen: Indeed. When we look at the cross-section of Members who have raised the matter, many of whom have served at the highest levels of Government, and who all believe that their constituents have been wronged, how can the Post Office believe that it can continue to sweep the matter under the carpet?

It is most interesting that after two years in which the Post Office has consistently claimed that its Horizon system software is robust and 100% reliable, I now have in my position an email clearly showing that the Post Office is now urgently seeking a replacement software system from IBM. I am sure that the Minister can draw his own conclusion from the happy coincidence that the investigation is now closed. It appears to me that it is indeed now sunset for the Horizon system.

It is therefore my belief, and the view of many Members across the House, that the matter must now be taken away from the Post Office and a judicial inquiry set up. The Post Office has abused its privileged position and sought to cover up its failings by way of a wholly non-transparent approach to the mediation process.

Gerald Jones (Merthyr Tydfil and Rhymney) (Lab): Concerns about the Horizon system are clearly of long standing. In the few weeks that I have been here I have

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heard from at least three constituents who have long-standing concerns about the Horizon system, and there are huge problems that are historic. I understand from one constituent that an injunction has been taken out against her for the sale of a property—

Madam Deputy Speaker (Natascha Engel): Order. That intervention has been slightly too long.

Andrew Bridgen: I am not surprised to hear that from the hon. Gentleman. The management style of the senior management at the Post Office is Dickensian, and they have an almost feudal relationship with their sub-postmasters. This is now a national scandal. The Post Office has demonstrated that it is incapable of putting its own house in order, so it falls to this House and to this Government to do so for it. I therefore respectfully ask the Minister for a full judicial review into the Post Office Horizon system and the way in which the Post Office contracts with its sub-postmasters and sub-postmistresses.

11.14 pm

Mr Kevan Jones (North Durham) (Lab): I congratulate the hon. Member for North West Leicestershire (Andrew Bridgen) on securing this debate.

My constituent Tom Brown, a postmaster for 30 years, had a post office in Newcastle. In 2008, he informed the Post Office that there was a problem with his Horizon system, and it took away one of his base units to change it. He was told by the helpline—a euphemism because it has not been very helpful to many sub-postmistresses and sub-postmasters and has actually got them into more trouble—that the system would rectify itself. It did not. The next audit said that his figures were down by £85,000. He was arrested by Northumbria police, and his car and home were searched. Subsequently, the police dropped all charges as there was no evidence against him. Then, for some unknown reason, the Post Office took out a prosecution against him to take him to court for false accounting. That process took until July 2013, when he finally appeared in court for the third time. No evidence was put forward to the court, and after that the case was dropped.

This man has lost his home, his livelihood and his good reputation. He is one of the individuals who have gone through the mediation system, even though, as the hon. Gentleman outlined, the system is a sham. He was given four different dates that were all delayed. He described this to me as six hours of wasted time. The Post Office employed top lawyers from Newcastle to represent it. It again went through what it said was the evidence, and made no offer at all. The system is a sham. As the hon. Gentleman outlined, it has been a way of delaying decisions on these cases.

Mrs Emma Lewell-Buck (South Shields) (Lab): Does my hon. Friend agree that the Post Office has failed to be transparent about this process? My constituent, Mrs Carter, a sub-postmistress, asked the Post Office to audit her branch to get to the bottom of the problem, but it refused to do so.

Mr Jones: I will go further than that. It has not only not been transparent; it has gone out of its way to delay cases and hide evidence.

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My concern about the work done by Second Sight is that it suggests that if information is returned to the Post Office, evidence will go missing. That is why I totally agree with the hon. Member for North West Leicestershire that there needs to be an independent judicial inquiry into this—as he described it—national scandal. I am pleased that my hon. Friend the Member for Hartlepool (Mr Wright), the new Chair of the Business, Innovation and Skills Committee, is present for this debate. I urge him and his Committee to look at this as a matter of urgency.

The fundamental point is this: who controls the Post Office? This organisation is out of control. It has led to people's lives being ruined and, as we have heard, in some cases to people being given prison sentences when clearly they are innocent. It is important that we get to the bottom of this. Without a judicial inquiry, I fear that this national scandal will continue and these people's reputations will continue to be blackened.

11.17 pm

The Parliamentary Under-Secretary of State for Life Sciences (George Freeman): I congratulate my hon. Friend the Member for North West Leicestershire (Andrew Bridgen) on securing this debate. I commend him and other hon. Members across the House for raising here and elsewhere the concerns of their constituents—sub-postmasters who face problems. I echo the tributes paid to the former Members for North East Hampshire and for Batley and Spen for their work on this issue. They, my hon. Friend and others can take a great deal of credit for raising this issue and encouraging the Post Office to take action to address sub-postmasters' concerns and to improve business for the thousands of sub-postmasters and staff working in the network today. My hon. Friend kindly informed me before the debate of the points he wanted to raise, and I will try to deal with all his questions, but I want first to set out a little background.

Hon. Members do not need me to wax lyrical about the important role that post offices play in communities in providing access to essential mail, financial and Government services. I am sure that we all agree on and understand that. The Post Office is undergoing a very significant transformation programme to remove central costs, grow new revenue streams and modernise its extensive branch network. Already, more than half of eligible sub-postmasters have benefited from investment in their branches or have signed up to do so. These changes will help the post office network to survive in the digital age. The way we live and communicate is changing, and post offices need to adapt to that. The Government are supporting and investing in the Post Office to ensure that it can become sustainable for the long term and reduce its reliance on taxpayer subsidy. The network is now at its most stable for a generation. Having halted the closure programmes we saw under previous Governments, we are committed to securing the future of 3,000 branches that are the last shop in a local community.

The Government are, of course, the shareholder of Post Office Ltd, and in that role we make sure that there is a wide network of branches across the whole country, and we provide subsidy for the Post Office to do so. We also recognise, however, that it is a commercial business

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and we allow it to operate as such. Furthermore, as I am sure most hon. Members are aware, the vast majority of post office branches are operated not by Post Office Ltd, but by sub-postmasters. They are independent businesspeople who choose to contract with Post Office Ltd to provide post office services, usually from a small business such as a shop.

Small businesses are the lifeblood of the local economy in so many communities, and Post Office Ltd needs to ensure that it supports its sub-postmasters properly. I am pleased that the Post Office takes that role very seriously and that it has made significant improvements to the way in which it works with its sub-postmasters, not least following many of the cases that hon. Members have raised.

The Post Office already ensures that new sub-postmasters receive full training on all aspects of their role, including the Horizon system, through both classroom and in-branch training. There is also a dedicated helpline available to sub-postmasters to help resolve any issues they are having.

Wayne David (Caerphilly) (Lab): I am listening carefully to the Minister, but surely he accepts that there is a fundamental problem with the Horizon system, because we have heard complaints right across the country from all sections of the population, as well as from the sub-postmasters themselves.

George Freeman: I will come to the quality of the system. It is difficult on the face of it to characterise either the training or the helpline as having been inadequate. The vast majority of people who use or have used the Horizon system since it was introduced 15 years ago have in fact done so successfully. However, there is always room for improvement and the Post Office has implemented a business support programme to that end, including improvements to training, with both classroom and new online training available 24/7; improvements to the Post Office's support helpline, including new ways of identifying and proactively supporting branches in difficulty; and new processes to help sub-postmasters manage their branch and protect against fraud.

I now come to some of the points that have been made about the Horizon IT system. It is used by tens of thousands of people working in the post office network, performing more than 6 million transactions every working day in branches up and down the country, so it is essential that it functions correctly. Like any large IT system, it is subject to rigorous testing, independent audit and industry accreditation. Nevertheless, in the light of the concerns raised about serious glitches in the Horizon system, the Post Office commissioned an independent firm of forensic accountants, Second Sight, to investigate.

Second Sight produced two independent reports—one in 2013 and the other earlier this year—both of which found there was no evidence of systemic flaws in the system. That is an important point that I would like to reiterate in response to the shadow Minister's point: there is no evidence of systemic flaws in the system. Second Sight's reports have, rightly, pointed out some areas where the Post Office could have improved how it

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operates, particularly on the training and support that it provided in some individual cases. As I said earlier, the Post Office is acting on those points.

The general secretary of the National Federation of SubPostmasters, George Thomson, told the Business, Innovation and Skills Committee in the last Parliament that the NFSP

“represent 7,000 sub-postmasters...If there was a systemic problem...we would be absolutely inundated.”

He went on to say:

“Over the 15 years, the Horizon system has been fantastically robust.”

As well as improvements to training and support, the Post Office also launched a mediation scheme so that any current or former sub-postmaster who felt they had problems with the Horizon system could bring forward an application. They would have their cases thoroughly reinvestigated both by the Post Office and by Second Sight, and, if appropriate, proceed to mediation to seek to resolve any issues.

It is important to understand that the mediation scheme is independent of the Government. That is the right approach for something that is a contractual matter between two independent businesses, and we should remember that sub-postmasters are independent businesspeople who have contracts with Post Office Ltd.

Mediation is, of course, a voluntary process. Both parties need to consent to it, and for it to be successful there needs to be a reasonable chance of coming to a common understanding. Sometimes mediation will not be appropriate or will not succeed, but it is important to note that mediation cannot overturn a criminal conviction. I will come back to that point.

My hon. Friend the Member for North West Leicestershire and others have been critical of the mediation scheme and how it is progressing. He mentioned that 90% of cases are being excluded from mediation, but that statistic is not borne out by the information provided by the Centre for Effective Dispute Resolution, which oversees the mediation scheme and is independent.

Carolyn Harris (Swansea East) (Lab): Given the number of postmasters and postmistresses who have been attending MPs’ surgeries to discuss this matter, does not the Minister agree that one miscarriage of justice is one too many and that the Post Office has to be accountable for this system?

George Freeman: I absolutely accept that the Post Office must be accountable for any miscarriages and I will make a suggestion at the end about how we might address that.

My hon. Friend the Member for North West Leicestershire raised the case of his constituent Mr Rudkin. As he will understand, I cannot comment on that or any other individual case, because their details are rightly confidential, but I reiterate an offer that has been made to all hon. Members who have a constituent in the scheme: Post Office Ltd has offered to meet to discuss individual cases in detail, provided the applicant gives their consent. I am aware that Post Office Ltd has repeated that offer to my hon. Friend in the last fortnight,

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and I hope that he and others will take up that offer. I would be delighted to convene the meeting in my office in the Department if that helps.

I will move on to the points that my hon. Friend made about whether there may have been miscarriages of justice where sub-postmasters have been prosecuted and convicted. The Post Office handles large amounts of public money every day and operates a trusted role in communities, so it is vital that it has processes in place to protect that money and guard against fraud or theft. The Post Office can bring prosecutions against an individual, but it is down to the courts to determine whether they are guilty.

If an individual has been convicted and feels that their conviction is unsafe, they should explore the legal avenues open to them. They should seek advice on whether they can appeal their conviction, or raise their case with the Criminal Cases Review Commission. That is the correct way to deal with these issues if people believe there have been miscarriages of justice. The House cannot overturn a court ruling; nor, indeed, can mediation.

Alex Chalk (Cheltenham) (Con): It is of course for individuals to decide whether they plead guilty and there is of course an avenue of appeal. Is it not important to note, however, that for many of these people the time for an appeal will be long past, so they remain the victims of a grave injustice?

George Freeman: As I say, if any individuals feel that their conviction is unsafe, they can always explore the legal avenues open to them. Where large numbers feel that that is the case, as is alleged, it is perfectly possible for them to bring a class action together. I do not accept that there is a fundamental injustice in the process that prevents people from bringing claims. I accept, however, that it is absolutely vital, where there is a legitimate claim against the Post Office about how it has treated its sub-postmasters, that those claims must be looked at properly.

In the limited time available, I want to move on to the Post Office's approach. Both tonight and elsewhere, my hon. Friend the Member for North West Leicestershire and others have raised the very serious dissatisfaction felt about the way in which the Post Office has handled relations with its sub-postmasters. When this debate was called, I spoke to the Post Office to understand the situation. I have received a letter from its chief executive, Paula Vennells, which I shall send to my hon. Friend and others who have spoken and place in the Library. The letter sets out just how seriously the Post Office has taken this matter. Ms Vennells says:

"We have gone to great lengths...because I was determined that, if there were problems with the Horizon system, these had to be identified and resolved."

I will happily pick up any issues that my hon. Friend or others feel are not addressed in the letter.

As I have already said, the mediation scheme is rightly independent of the Government. It was established jointly by the Post Office and the Justice for Subpostmasters Alliance, working with Second Sight, and it is overseen by an independent chair, a former Court of Appeal

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judge. It is right that the details of individual cases should be confidential and that the Post Office respects that.

Andrew Bridgen: The Minister should be aware that one of the criteria given by the Post Office for removing cases from mediation was if a very large claim was involved. Those sub-postmasters who have suffered the greatest loss and the greatest injustice were therefore immediately excluded from the mediation system.

George Freeman: That is a very interesting point, which I will be happy to take up with my hon. Friend, perhaps in the context of what I am about to suggest.

Although it remains the case that there is no evidence that the Horizon system is flawed, if any individual feels that their conviction is unsafe, they can pursue the legal avenues available to them. I do not see any reason for the Government to intervene in this matter by instigating a full judicial inquiry. However, I am struck by the extent of the concern expressed tonight by Members from both sides of the House and during the lead-up to this debate, including some of the specific testimony heard tonight. I will be happy to convene a meeting in the Department, perhaps led by my hon. Friend, with the support of others from across the House—to deal with the point he has just made and one or two others that have been made this evening—and to invite the Post Office to come to that meeting with representatives of sub-postmasters to try to iron out the issues.

My hon. Friend has raised other points that are a matter for the Post Office, rather than for the Government. I have no doubt that the Post Office has listened closely to this debate and will be in touch with him to answer his questions. I agree with him that this matter has gone on for far longer than anyone would wish and, for whatever reason, has been the cause of huge difficulties, trial and unnecessary hardship for a number of the sub-postmasters who have been affected.

The important thing now is for the final cases in the mediation scheme to progress to mediation, and I urge all the parties involved to continue to work together to make that happen. That will help the individuals with cases remaining in the scheme to reach resolution, and it will mean that the Post Office can, working closely and collaboratively with its sub-postmasters, carry on with its essential role of serving communities.

I repeat that some of the points made tonight in the House merit investigation. I will happily convene a meeting in the Department to put those specific points to Post Office Ltd. The system may have generally worked well for the vast majority of users, but that in itself is no reason not to ensure that those who have been legitimately unable to deal with the system should not be penalised unfairly. They certainly should not be made the victim of criminal judgments when their crime is nothing more than being unable to cope with a new IT system. I look forward to raising those points with the Post Office.

Question put and agreed to.

11.30 pm

House adjourned.