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# Scenario One – Post Office Take Control

2 June 2014

DRAFT NOT POLICY



## Companies Act Section 172 – Directors Duties

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In making decisions about the future direction of the Company Directors must have regard to Section 172 of the Companies Act – ahead of other factors like negative PR. S 172 is set out below for reference:

(1) A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to—

- (a) the likely consequences of any decision in the long term,
- (b) the interests of the company's employees,
- (c) the need to foster the company's business relationships with suppliers, customers and others,
- (d) the impact of the company's operations on the community and the environment,
- (e) the desirability of the company maintaining a reputation for high standards of business conduct, and
- (f) the need to act fairly as between members of the company.

(2) Where or to the extent that the purposes of the company consist of or include purposes other than the benefit of its members, subsection (1) has effect as if the reference to promoting the success of the company for the benefit of its members were to achieving those purposes.

(3) The duty imposed by this section has effect subject to any enactment or rule of law requiring directors, in certain circumstances, to consider or act in the interests of creditors of the company.



## Sparrow – why change?

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Since 2012 Post Office spent several £MM. The scheme is based on a premise that there is no problem with Horizon. Our view has been re-affirmed. Now have:

- Linklaters report
- Deloitte report
- JFSA and Second Sight – harder line – regularly escalating to Ministers
- Investigated 26 cases – no evidence to suggest a problem with Horizon
- Second Site report of poor quality and inflammatory and will become public
- Taking up ever more senior management time and threat to the business model
- Prospect of sustained media and stakeholder activity (possibly to tie into election sensitivities)
- Controversial cases and high profile decisions on a monthly basis, plus one off hit a end
- Due to CFAs increasing likelihood of sub-postmasters entering detrimental financial arrangements
- No evidence found (important for reputation of business, strategy and subpostmaster confidence in the business)

Therefore: Duty to the business and duty of care to the applicants.



# Sparrow – why change?

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## Risks (Current arrangements):

- i. Number of dissatisfied applicants increases throughout the life of the Scheme.
- ii. Scheme costs continue to rise
- ii. Diverting management time from core business
- iv. Scheme damages credibility of Post Office
- v. FOI at scheme end re: cost compared with settlement levels
- vi. No proactive line of defence



## Sparrow – communications recommendation

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**Proposal:** We publish a report in July on Horizon and the Mediation Scheme, including the Linklaters letter and the Deloitte report. We disband the working group and end Second Sight involvement. Pledge to investigate all the cases.

**Narrative:** As a responsible business the Post Office is committed to listening and learning from its people. As such in 2012, following allegations raised with us by some subpostmasters, we set up an inquiry into the Horizon computer system. We appointed an independent firm, Second Sight, to lead this inquiry.

In the two years since the inquiry began there has been no evidence of deficiencies with the Horizon system. Indeed, Second Sight found no systemic issues in its report in 2013. It has since been investigating cases and this work supports this finding.

We have also commissioned Deloitte to examine the Horizon system further and received assurance around the integrity of the system, which deals with xxx million transactions every xxx.

As part of our commitment to investigate cases raised with us by a small number of subpostmasters we set up a Mediation Scheme in order to offer an opportunity for them to have their cases heard. At the same time we launched a Branch Support Programme to find ways of improving the support we offer the subpostmaster community.

Having investigated xx of the xx cases submitted, it has now become clear that few of the cases submitted to us revolve around the Horizon computer system. The mediation scheme will not therefore work in the interests of those who have submitted cases.



## Sparrow – communications recommendation

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We have therefore decided to move to a new approach.

We will investigate all cases and provide applicants with a report of their investigation to help them understand what happened in their case.

When all investigations are completed we will consider what action is appropriate in individual cases and what improvements can be made in the light of any findings.

This is consistent with the approach we have taken with the Second Sight Interim Report through our Brach Support Programme.

We will publish a report when all investigations have been completed.



PTC

Now to summer  
(May-Jul)Summer  
(Jul-Aug)Summer-Christmas  
(Sep-Dec)Run up to election  
(Jan-May)Scheme  
Progress

- Write to all apps / PAs about info change and process
- New deadlines for CQRs
- LL and Deloitte
- WG face to face
- All CQRs submitted before summer recess

- All cases investigated by POL

- All investigations reviewed together
- Decision taken on outcome
- Decision and report released to all applicants at the same time
- Mediate a small number of cases (30)
- Scheme Closes

Media

- Allegation of white wash by POL
- 1-2 days media coverage (poss BBC, Computer Weekly and regionals) which will include quotes from JFSA, MPs and Applicants

- Possible regional stories
- FOI on cost

MPs

- Attempt urgent question by JA
- JA calls for meeting with PV/AP
- MP letters to PV and Minister
- MPs likely to escalate to minister

- MPs may raise individual case with PV / Minister
- Possible debate
- PQ on cost

Stakeholder

- JFSA will go to the press
- SS will contact MPs with a report
- CF may get involved
- NFSP will need to be engaged

- JFSA / SS counter report (possible court case would have media implications)

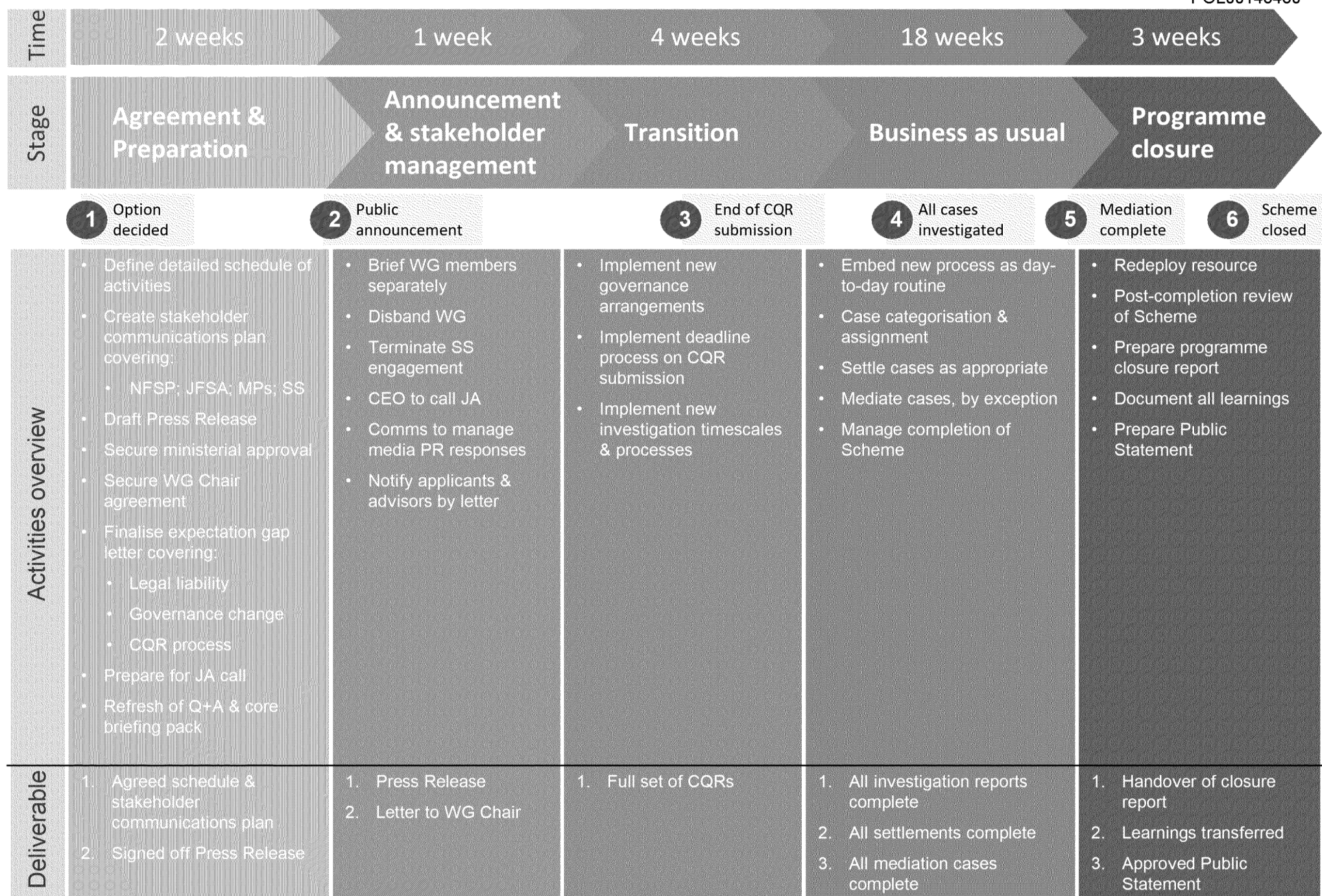
Stakeholder	Key Message	Rebuttal from Stakeholder
Minister / Richard Callard	Value for money Right thing for the business and delivering strategy including mutualisation Value for Money LL and Deloitte independent assurance Duty of care to existing subpostmasters If we continue the next 9 months will be littered with local negative stories / letters from MPs Protection against SS quality of work NFSP involvement	
SAH	Our decision to make; we need to put applicants and business first We have listened, given time and we need to act now We understand your view No criticism of you How do we handle this in a way that helps you? At end of day it's a decision we need to take Rationale for decision:	
SS		
JFSA		
James Arbuthnot	Face to face meeting (AP and PV) – use letter as basis Play back concerns in last letter – you've been chasing about progress, I share your concerns and now I am taking action We are concerned about applicants which is why we are making the changes	Role of SS and JFSA



Stakeholder	Key Message	Rebuttal from Stakeholder
Other MPs engaged	Write to MPs with a constituent in the case All cases still live so we must be mindful of that and keep information confidential We are committed to investigating cases	
Professional Advisors	Timescale of when to get CQRs in (4 weeks) Letter to all	
Applicants	Timescale of when to get CQRs in (4 weeks) Change in process to ensure timely investigation of their case	
Other Stakeholders (consumer futures, NFSP)		

## Initial Complaints Review and Mediation - Stakeholder Engagement Timeline - What happens when? (v0.2) DRAFT

**DN:** to confirm timing of contacts



DRAFT Implementation timeline should Option 2 be endorsed. Plan does not represent agreed Post Office policy.