



Scenario Three – Post Office Defend Position

2 June 2014

DRAFT NOT POLICY



Companies Act Section 172 – Directors Duties

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 – communications approach continued

Proposal: We continue administering the Scheme in the current manner, defending Post Office's interests robustly at all points particularly on:

- Criminal cases – where we will make clear to the Working Group we will investigate last and are unlikely to mediate
- Bankruptcy – Where we will only engage if the Official Receiver has agreed to pass on the rights [dn check wording]
- Old cases – where if no data is available we will refuse to investigate
- A hard line deadline is set for CQR submission,
- Dissemination of the Linklaters and Deloitte assurance work
- Regular quality and delivery review meetings with Second Sight.

Narrative:

Subpostmasters are the lifeblood of our organisation and we want them to have faith in our systems and processes. We are disappointed that members of the working group feel they no longer wish to work with us to resolve all outstanding cases as quickly as possible.



Sparrow – communications approach continued

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 is clear that few of the cases submitted to us revolve around the Horizon computer system.

We would like to thank the JFSA and others ?? for their input into the Scheme and would like to reassure applicants that we will continue to investigate all cases and provide applicants with a report of their investigation to help them understand what happened in their case



Communications Approach Continued

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 Branch Support Programme.

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

PDP	Now to summer (May-Jul)	Summer (Jul-Aug)	Summer-Christmas (Sep-Dec)	Run up to election (Jan-May)	2 yrs + then end of scheme
Scheme	<ul style="list-style-type: none"> POL works within WG but asserts authority Likely disappointment with mediation outcomes WG relations become strained 	<ul style="list-style-type: none"> Slow progress of the Scheme Strained WG relations Applicants expectation miss match to outcomes Series of mediations 	<ul style="list-style-type: none"> Fracture of Working Group 	<ul style="list-style-type: none"> POL Takes control All cases investigated by POL 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Potential for applicants or JFSA to go to the media as not happy with result of mediation of did not go to mediation. Potential for year on follow up by media following story ie. BBC, Computer Weekly, plus regional print and broadcast following the story. 	<ul style="list-style-type: none"> Potential for applicants to go to the media as not happy with result of mediation of did not go to mediation. Potential for increased interest as more applicants are dissatisfied with outcome of mediation. This culmination could drive further national stories JFSA likely to become increasing vocal on outcome of scheme Potential for any comment in R&A to drive further interest 	<ul style="list-style-type: none"> Allegation of white wash by POL resulting in 1-2 days media coverage (including those following such as BBC, Computer Weekly and regionals – with a greater push from other members of Working Group and quotes from JFSA, MPs and Applicants further articles likely in Nationals such as Mirror, Mail and potentially broadsheets. 	<ul style="list-style-type: none"> Applicant stories in press as not happy with the result of mediation or did not go to mediation Award of IT&C Front Office contract could result in IT Media and others suggesting replacement as a result of issues with horizon – damaging ability to highlight benefits and result in further negative coverage. JFSA ramp up pressure on JS and call for select committee report 	<ul style="list-style-type: none"> Further national coverage as applicants and JFSA and SS not satisfied with the scheme (BBC, Computer Weekly) further articles likely in Nationals such as Mirror, Mail and potentially broadsheets as JFSA and others continue pressure for desired outcome. Applicant stories in press as not happy with the result of mediation or did not go to mediation JFSA continue to ramp up pressure on JS and call for select committee report
	<ul style="list-style-type: none"> MPs write to PV and Minister concerned 	<ul style="list-style-type: none"> MPs write to PV and Minister concerned 	<ul style="list-style-type: none"> MPs write to PV and Minister concerned about 	<ul style="list-style-type: none"> MPs write to PV and Minister concerned 	<ul style="list-style-type: none"> MPs write to PV and Minister concerned