

STRICTLY PRIVATE & CONFIDENTIAL
SUBJECT TO LEGAL PRIVILEGE

SUMMARY REPORT ON THE CURRENT STATUS OF THE HORIZON LITIGATION

Purpose

This report has been prepared for the purpose of updating the Department of Business, Innovation and Skills (**BIS**), as a key stakeholder of Post Office Ltd, on the current status of the threatened 'Horizon' litigation. The report has been prepared for the attention of BIS only and should not be forwarded to any third party without the written permission of Post Office Ltd. This is necessary in order to ensure that legal privilege in this document is not inadvertently waived.

Claims received to date

To date, Post Office Ltd has received formal notification of five separate claims from former subpostmasters (**SPMs**). These claims have been pursued individually (as opposed to forming a class action), albeit that all five SPMs have instructed the same law firm to act on their behalf - Shoosmiths LLP.

Letters before action were received from Shoosmiths in respect of four of the five claims in July and August of 2011. Despite this, Shoosmiths have not any taken substantive steps to progress those four claims. In respect of the fifth claim, court proceedings were commenced in June 2011 but the claim was only brought to the attention of Post Office in October 2011. This claim is dealt with further below.

All five former SPMs were terminated by Post Office Ltd when discrepancies between the branch accounts and the actual cash position in branch were identified at audit. Two of those SPMs subsequently admitted to and were convicted of false accounting. A third SPM admitted to false accounting, but was not subject to criminal prosecution.

According to press reports there may be between 55 and 150 further cases, although the claims set out above are the only claims which have been notified to Post Office Ltd to date.

Issues raised

Each of the former SPMs alleges wrongful termination of contract (based on (a) alleged failings in Post Office Ltd's internal processes and (b) the Horizon electronic point of sale system used in branch) and each SPM claims circa £150,000 by way of damages. The key legal issues raised are identical in all five claims, albeit that the underlying facts differ from case to case.

Current status

Four of the five current cases remain at the pre-action stage (i.e. court proceedings have not been commenced). Post Office Ltd has responded robustly to the initial allegations made in each of those cases (made by letter threatening legal action) and liability has been strongly denied. One of these claims is arguably out-of-time for commencing court proceedings and if that is correct, the SPM would be unable to pursue the claim further (Post Office Ltd has responded to Shoosmiths' letter regarding this claim on that basis).

The last correspondence with Shoosmiths regarding these four claims was in December 2011. Since that date, Shoosmiths have not taken any further steps in order to progress these claims.

In relation to the fifth claim, court proceedings were commenced in June 2011. Post Office Ltd was only notified of that fact in October 2011. Post Office Ltd successfully applied to have the claim struck out on the basis of procedural error in January 2012. The SPM has, however, subsequently applied for permission to appeal that decision. Permission was initially refused by the Appeal Court on 22 February 2012, but the SPM had a period of 7 days from the date of service of the notification refusing permission to request that the decision be reconsidered at an oral hearing. The 7 day period has now expired, but Post Office Ltd has yet to receive notice that a request for an oral hearing has been made. If a request is not made or permission to appeal is again refused, that will be the end of the matter and the SPM will be unable to proceed further with the claim. If permission is granted, the matter will proceed to a full appeal hearing. If that appeal is successful, Post Office Ltd would then need to consider whether or not to appeal itself.

**Prepared by Legal Services on behalf of Post Office Ltd
9 March 2012**