

Whips briefing: Post Office Ltd 'Horizon' accounting system

Issue:

The Horizon accounting system was introduced into post offices in 1999 and records every post office transaction (6 million per day) across a network of nearly 12,000 branches. The integrity of the system has been called into doubt by a very small minority of ex-subpostmasters who claimed that irregularities in the system caused losses to be recorded at their branches which have led to the termination of their contracts. Post Office Ltd (POL) has always vigorously contested these claims, but agreed to an independent review in 2012 to investigate the claims.

The review:

In June 2012, POL appointed Second Sight (forensic accountants) to undertake an independent review of Horizon. The review has been conducted independently and POL and BIS will not see a draft of the report until Friday 5 July. Second Sight are preparing to make their report available on Monday 8 July.

James Arbuthnot's involvement:

James Arbuthnot has been informally championing ex-subpostmasters who have expressed concerns about the integrity of the Horizon system. He led calls for a review of the system, and acted as a conduit for passing cases to Second Sight (thereby preserving BIS and POL independence). Arbuthnot is not due to see a copy of the report until it is published on Monday 8 July.

What the report likely to say:

BIS understands that the review *has not found issues with the integrity of Horizon*, but that the report could be critical of the training and support provided by POL to subpostmasters with respect of certain operating procedures. We do not believe that the report suggests that any convictions against subpostmasters for theft or false accounting are unsafe, as Arbuthnot has suggested.

Of the 49 cases referred, Second Sight has looked in depth at the four 'strongest' cases (those where it was felt there was the greatest possibility of finding evidence of system weakness). The review also looked at two specific anomalies that POL itself identified. Again, POL has reported that it is confident that the Second Sight review has not found any systemic issues with the system.

What has happened so far:

Both POL and Arbuthnot have separately spoken to Second Sight. Arbuthnot has spoken to Paula Vennells (POL CEO), who has briefed Jo Swinson. Jo has subsequently spoken to Arbuthnot.

Likely next steps:

Given his role as champion, BIS suspects that Arbuthnot is seeking to achieve maximum coverage for this report, and understand that he is trying to arrange pre-recorded broadcast interviews, and has also approached the Speaker with regard to tabling an urgent question, or requesting the Minister make a statement.

POL (and BIS) is very keen that this report is not spun by Arbuthnot or the campaigning group 'Justice for Subpostmasters Alliance' (JFSA) to construe that ex-subpostmasters have been falsely accused and convicted of false accounting and theft. Furthermore, POL is alive to the reputational impact that a sensationalised story could have on it as a company, and the impact it could have on its thousands of subpostmasters (who provide Post Office services under a contract agreement) and its millions of customers (c.20 million use post offices weekly) many of whom are vulnerable members of society who rely on post offices to access a range of services including benefit and pension payments.

Wide impacts – Royal Mail privatisation

The timing of Arbuthnot's intended statement should be considered in the context of the Royal Mail privatisation. Vince Cable and Michael Fallon are making a statement to Parliament on Wednesday 10 July, setting out the steps towards a Royal Mail transaction. In the eyes of many MPs, the media and the public at large, Royal Mail and the Post Office are the same entity. Although not related, the adverse coverage that Arbuthnot is seeking to attract is likely to have a significant and diversionary impact on the messaging of the Royal Mail statement.

Key players:

James Arbuthnot MP – Parliamentary champion for ex-subpostmasters claiming against the integrity of the Horizon system.

Justice for Subpostmasters Alliance – pressure group set up to campaign for ex-subpostmasters claiming against the integrity of the Horizon system.

Key lines to take:

"Matters relating to the operation of the Horizon accounting system are the responsibility of Post Office Ltd. The Government does not play a role in operational matters."

"POL commissioned an independent report of the Horizon system. As this is an independent review, it would not be appropriate to comment or speculate ahead of publication."