

OFFICIAL SENSITIVE

To: Secretary of State
From: Laura Thompson GRO
Date: 18 March 2015
Subject: Post Office mediation: reply to BIS Select Committee

Purpose: Adrian Bailey MP has written to you following the BIS Select Committee's short inquiry into the Post Office mediation scheme. The letter sets out some points for further clarification, and some recommendations for Government.

Recommendation: That you agree and sign the attached response to the Committee.

Timing: We should reply to the Committee early next week, before Parliament rises.

Summary

1. The BIS Select Committee held a one-off evidence session on the Post Office mediation scheme on Tuesday 3 February 2015. The Committee heard evidence from:
 - Post Office
 - Second Sight, the independent forensic accountants
 - National Federation of Subpostmasters (NFSP), the representative body for subpostmasters
 - Justice for Subpostmasters Alliance (JFSA), a small group representing mostly former subpostmasters with cases in the scheme
 - Communication Workers Union
2. Adrian Bailey wrote to you on Tuesday (17 March) summarising the Committee's findings, in lieu of a full report on the matter. The Committee raises some points where it would welcome further clarification, and sets out some recommendations for Government. You should reply to the Committee responding to the points they raise.
3. Overall, the Committee's letter and recommendations are measured, although they do demonstrate that in some areas it would be helpful to provide additional information to aid their understanding.
4. In particular, we recommend that your response emphasises that the number of cases in the scheme is small in the context of the number of subpostmasters successfully using the Horizon system every day. There are fewer than 150 cases in the scheme, compared to the c.500,000 users who have worked with Horizon since it was introduced. So this issue, while important, cannot be said

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to have damaged Post Office's relationship with subpostmasters across the board. In particular, the response we have prepared emphasises the role of the NFSP as the body representing the majority (around 6,000) of subpostmasters. The NFSP are supportive of Post Office's position on this matter (that there are no systemic issues with Horizon) and gave robust evidence to the Select Committee in support of this.

5. It is also important to reiterate that the scheme is independent of Government. Subpostmasters are not employees of Post Office, they are independent businesspeople who choose to enter into a contract with Post Office as part of their business. Where there are disputes, they are disputes between two businesses and it is not appropriate for the Government to intervene. As such, we strongly recommend that we do not accept the Committee's suggestions which would imply greater Government oversight of the scheme, but provide some alternative suggestions which should address the Committee's concerns.
6. The Committee also asks the Government to update the House in the future on the progress of the scheme, including where cases have been satisfactorily resolved. Given that the scheme is independent and mediation is confidential, this is not something that Government can action; however, the Centre for Effective Dispute Resolution (CEDR) which oversees the mediation process has agreed to provide regular updates on progress, which we suggest should be shared with interested parties as appropriate.

Annexes:

A: Draft letter from Secretary of State to Adrian Bailey

B: Letter from Adrian Bailey to Secretary of State

Copied to: Ministers' offices, SpAds, Permanent Secretary, Mark Russell, Anthony Odgers, ShEx POL team, Party Unit, Hannah Franklin-Wallis, Ashley Rogers

Advice received from:

Finance	SpAds	Press	Legal	Analysts
No	No	No	No	No

Have devolution issues / impacts been considered?

Devolution Issues	Equality Analysis	'Impact on Families'
N/A	N/A	N/A