

From: Cooper, Tom - UKGI[/O=HMT/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=8D968D43E33749AE9E59F9C9350E69D5-COOPER, THOMAS (TCOO)]
Sent: Fri 19/10/2018 9:19:20 PM (UTC)
To: Aldred, Tom - UKGI[GRO]; Clarke, Stephen - UKGI[GRO]; Gavin.Lambert@GRO; sam.white@GRO
Subject: Fwd: POL Litigation meeting

FYI

Sent from my iPhone

Begin forwarded message:

From: "Chisholm, Alex (BEIS)" <GRO>
Date: 19 October 2018 at 19:25:18 BST
To: "Duffy, Philip (Treasury)" <GRO>, "Charles Roxburgh - HM Treasury" <GRO>, "Sheila.Shah@GRO" <Sheila.Shah@GRO>, "Ishara.Katugampola@GRO" <Ishara.Katugampola@GRO>, "David.Sandford@GRO" <David.Sandford@GRO>, "Tom.Cooper@GRO" <Tom.Cooper@GRO>
Cc: Permanent Secretary <PermanentSecretary@GRO>
Subject: RE: POL Litigation meeting

Thanks all,

I quite understand how this is an especially busy time for you.

It was a useful briefing. I would advise someone in your team gets up to speed on this (Tom Cooper in UKGI is the person to contact) as it will become publicly and politically noisy again in a few weeks, and if the court finds even partially against the PO there will be financial as well as operational and reputational effects, and urgent questions for POL – and HMG – as to whether to appeal or settle. As we found on Magnox, it helps to take a collective as well as considered view in such cases.

Best,

Alex

From: Sell, Jon - HMT <GRO>
Sent: 16 October 2018 13:15
To: Permanent Secretary <GRO>
Cc: Philip Duffy <GRO>; Roxburgh, Charles - HMT <GRO>; Shah, Sheila - HMT <GRO>; Katugampola, Ishara - HMT <GRO>; Sandford, David - HMT <GRO>
Subject: FW: POL Litigation meeting

Dear Alex,

Sorry not to come back on this sooner. I'm replying as Philip is in a Budget meeting over at No11 and I understand your office has been in touch this morning.

Thanks for the invite and update below. We had previously had a discussion with UKGI about this and internally and come to the view that we would prefer BEIS and UKGI could lead direct engagement with POL on this issue. We were hesitant about the signal it might send if HMT was in the room. Given the scale of the issue it is important that we are engaged with you and UKGI on this issue and we should have a debrief shortly after the discussion to understand the state of play and what options were set out in the meeting. Are you content with that approach? More practically, I also fear we may struggle to get out of 1HGR tomorrow amidst Budget demands.

All the best,
Jon.

Jon Sell | Deputy Director | Corporate Finance, Business, Energy & Industrial Strategy | Enterprise & Growth
HM Treasury | 2 Orange | 1 Horse Guards Road, London SW1A 2HQ
[GRO] www.gov.uk/hm-treasury

From: Chisholm, Alex (BEIS) [GRO]
Sent: 11 October 2018 15:23
To: Duffy, Philip - HMT [GRO] >
Cc: Permanent Secretary [GRO] Roxburgh, Charles - HMT
[GRO] >
Subject: POL Litigation meeting

Phil,

I am writing to ask you to consider attending a meeting on 17 October, 1600-1645, in the HoC regarding the upcoming civil litigation involving Post Office Limited (POL). POL's senior management and their legal advisers will brief Minister Kelly Tolhurst and myself on their contingency planning for the potential financial, reputational and business implications of the trial starting on 7 November 2018, and at a further trial in March 2019.

The litigation stems from a claim from a group of postmasters that faults in POL's point of sale system (Horizon) caused shortfalls that postmasters were asked to make good and in some cases were prosecuted for. The compensation claims against POL for historical losses are compounded by wider scope of the case that will also examine the fairness of the contracts in place between the POL and its postmasters and the terms that can be implied from these contracts. The crucial term being contested is 'duty to account', which has placed the onus on Postmasters as the company's agents to account for cash at the end of the day and explain any shortfalls. Should the court determine that the contract terms are unfair, POL would potentially need to redesign its business model and renegotiate contracts with all its postmasters across some 9,000 branches, with all the financial implications and disruption to the business that this entails. All of this could have a material impact on POL's financial position and the adequacy of its current funding package from Government.

POL is also likely to face a 'trial by media', which may apply further pressure towards settlement given the potential for reputational damage. This case has attracted considerable parliamentary and media attention in the past (One Show, Panorama, Daily Mail etc.) which we expect to be reignited. Computer Weekly and the journalist responsible for the Panorama episode are already reporting on the run-up to the trial and other media outlets may follow depending on how the trial progresses.

There will be a window of opportunity for settlement in February 2019 before the second trial starts in March. If the outcome of the first trial makes settlement attractive, it is critical that we are in a position to move quickly. The meeting on 17 October will provide the main opportunity before the trial starts to get all the key stakeholders together to agree a common approach, including discussing the impact on POL's financial position, the issue of settlement and POL's approach more generally to mitigating against the risks posed. In light of this, it would be very helpful if HM Treasury was represented, by you or one of your team and a senior legal adviser.

Best wishes,
Alex

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