



Department for  
Business, Energy  
& Industrial Strategy

Mark Baker  
Larkhill Post Office  
The Packway  
Larkhill  
Salisbury

Alex Chisholm  
Permanent Under-Secretary of State  
1 Victoria Street  
London  
SW1H 0ET

T: [redacted] GRO  
E: permanentsecretary@[redacted] GRO

Our ref: AC/[PO to complete]

8 April 2019

**POST OFFICE LITIGATION AND POST OFFICE GRANT TO THE NATIONAL  
FEDERATION OF SUB-POSTMASTERS**

Thank you for your correspondence of 20 March about Justice Fraser's findings on the relationship between the Post Office and the National Federation of Sub-Postmasters (NFSP) within his judgement on the Common Issues Trial and your concerns about the public grant that the Post Office pays to the NFSP.

Firstly, it is worth pointing that while the Post Office is publicly owned it operates as an independent, commercial business. As such, the matters encompassed by the recent judgement on the Common Issues Trial, including the Post Office's relationship with its postmasters and the National Federation of Sub-Postmasters, are operational matters for Post Office Ltd. Therefore, Post Office is handling the legal defence of the litigation to which you refer (*Alan Bates and Others v Post Office Limited*) and considering how to respond to the judgment including any changes to its relationship with postmasters and the NFSP.

I believe the courts are the right place to hear the issues being raised and I hope that the litigation will assist in the resolution of what are long-standing issues between some postmasters and the Post Office so that postmasters with claims can obtain a remedy if the court finds there is validity to those claims.

The Judge's findings on the relationship between the NFSP and the Post Office form part of a judgement that the Post Office will be appealing, and it would therefore be inappropriate for government to comment on this matter. Furthermore, the judgement itself relates only to the first of four trials scheduled until March 2020, and the overall outcome of this litigation will only become clear once the whole trial process has concluded, including any appeals by either party. While this remains a matter for the courts it is not appropriate for Government to comment on any aspects of this case or to intervene in this process in any way.

The Post Office have informed my officials that they have reflected in great depth on the proceedings and on this detailed and complex judgement. As a result, they will continue their programme of improving how they work with postmasters and are urgently considering how to accelerate this and address the criticisms about their operations raised in the judgment. As part of this, the Post Office is also reflecting on the comments made regarding the NFSP. Post Office recognises that they must continue to do better for the sake of their customers and postmasters.

As regards your concern “that the Post Office is still using money that is provided by Government to finance a Grant Funding Agreement it has struck with the NFSP”, I can confirm that this is not the case. Any grant funding to the NFSP is paid from POL’s own commercial revenues and is not drawn from the Government’s funding package, which covers the period April 2018 to March 2021.

Finally, I can confirm that Post Office Limited does not fall within the Cabinet Office Guidance on *Government Functional Standard for General Grants*. This is because Post Office Limited is not classified as an Arm’s Length Body (ALB) but rather as a Public Non-Financial Corporation under the Office for National Statistics (ONS) national account system and because grant monies paid by Post Office to the NFSP are not drawn from “Exchequer Funding”. Nevertheless, Government expects all public bodies to ensure value for money principles in their use of resources at all times.

I trust this clarifies matters. Since the Post Office’s relationship with the NFSP are the operational responsibility of the company, if you have any further concerns you should raise these directly with the Post Office.

Yours sincerely,

**Alex Chisholm**

