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Department for
Business, Energy
& Industrial Strategy

Meeting with Tim Parker and Al Cameron (Post Office Limited)

15 May 17:30 – 18:00
Portcullis House, First Floor, Room P

External attendees:

Tim Parker – Post Office Limited Chair
Alistair Cameron – Post Office Limited Interim CEO

Internal attendees:

Kelly Tolhurst – Parliamentary Under Secretary of State at the Department for Business, Energy and Industrial Strategy

Jess Tysoe – Private Secretary

GRO

Carl Creswell – Director, Professional Business Services, Retail and Post

GRO

Tom Cooper – UKGI (Dialling in)

Purpose of meeting and Handling:

You will be meeting Al Cameron and Tim Parker from Post Office Limited (POL). This meeting will be the first of a series of regular catch up meetings with POL senior leadership, which have been arranged because of POL's rising profile and to improve the flow of information from POL to BEIS. We recommend you use this opportunity to gather intel from POL on a range of topical issues and discuss handling of the upcoming Select Committee oral evidence session, at which both you and Al will be giving evidence.

Suggested Agenda:

No	Item	Time
1.	Select Committee Hearing Evidence Session	10
2.	Litigation Trials	5
3.	Update on POca	5
4.	2019/2020 Budget	5
5.	HMRC AML Branch Registration Charges	5
6.	Wokingham Franchising	5

Points to make:**1) Select Committee Hearing**

The meeting will be an opportunity to discuss your and POL's approaches to the upcoming Select Committee Oral evidence session (21 May). POL's submission to the Select Committee is enclosed as Annex A. You might ask:

- What are the key messages that POL want to get across to the Committee?
- What questions are they worried about?
- Are there points that it would be particularly useful for Government to make?
- The NFSP submission (enclosed as Annex B) was critical of POL's long-term approach. How do POL plan to address the challenges raised?

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2) Litigation Trials

- POL is contesting a series of trials with postmasters in the High Court. After judgment in the first "Common Issues" trial, POL applied for the judge to recuse himself from future trials. The judge has refused, but POL will now apply take their recusal application to the Court of Appeal.
- Under new legal leadership, POL is reviewing its legal strategy and options for appealing the Common Issues judgement, as well as pursuing the recusal and considering operational implications of the Judgement. The Horizon trial is postponed until 4 June.
- You will be provided with a further written update on POL's appeal strategy following a meeting of its litigation sub-committee on Wednesday 8 May. You will also be offered an oral briefing in advance of the appeal being lodged on 16 May.

Questions to ask

- What preparations are you making for the possibility of settlement, and how is this affected by the appeal processes?
- What estimation have you and your legal team made of the potential costs of different possible outcomes of the trial?
- How are you addressing the operational implications of the judgement and the criticisms over POL's conduct of the case and its dealings with the claimant postmasters?
- What improvements have you made/are you making in your relationship with postmasters following the judgement?

3) 2019/20 Budget

- AI will update you on POL budget for 2019/20, which was approved by the Board at the end of April and incorporates a preliminary response to March's litigation judgement.
- Shareholder approval of the budget and transformation spend plan is required and you will receive further advice shortly.

4) Post Office Card Account (POca)

- You wrote to Baroness Buscombe on 10 April 2019 (enclosed as Annex C) to (1) encourage the prompt resolution of POca legacy issues and (2) highlight the benefits of including POL in the replacement scheme. More information on the legacy issues (ring-fenced customers and unclaimed balances is included at Annex D);
- Officials have asked POL to advise on their planned approach to unclaimed balances post-POca as we are concerned with a potential commercial dispute with DWP. We recommend that you probe Post Office further by asking POL what exactly their planned approach is to resolve the unclaimed balance issues and what are their next steps in terms of engagement with DWP.

Suggested Lines to Take

- I was happy to write to Baroness Buscombe to make the case for the Post Office as a provider of Government services, including the POca replacement scheme. I

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strongly believe in the important contribution that the Post Office network can continue to make to financial inclusion.

- However, I am concerned with the potential for commercial disputes with DWP on POca legacy issues.
- I look forward to hearing feedback from your meeting with Amber Rudd as this will be a great opportunity to get a step closer to resolving any legacy issues and working towards a more collaborative relationship.

5) HMRC Anti Money Laundering Branch Registration Fees Increase

- The Post Office is directly regulated by HMRC in relation to its Travel Money business. HMRC charges a fee to businesses registering for anti-money laundering (AML) supervision. This registration fee is charged at 10,600 post office branches where Travel Money services are offered.
- On 4 April HMRC announcement that it will increase AML branch registration fees by 161%, effective 1 May 2019, following consultation. POL is concerned the new fee structure will disproportionately affect Post Office operations.
- BEIS officials have engaged HMRC officials on this issue and are pressing for an SCS meeting. [An insert will follow with more details on this]
- We recommend reassuring POL that they have your full support on this issue. Whether or not change to the fee regime is still possible, you intend to challenge HMRC on the way these changes have been implemented.

Wokingham Franchising

- You met with Rt Hon John Redwood MP on Tuesday 7 May. He was concerned about accessibility, service delivery and queuing at the new location as well as the consultation process;
- You may wish to raise John's concerns with Tim and Al.
- BEIS officials have asked for more information from POL to address John's concerns. [An insert will follow with more details on this].

Relevant context:

- Alex Chisholm also met Tim Parker on 5 March to discuss litigation trials and the recruitment of POL senior leadership. Due to Al Cameron being one of the shortlisted applicants, we would suggest not raising the question of leadership change at this stage. You also met Tim Parker on 2 April 2019 to talk about the ongoing Court case and the Post Office's legal strategy.
- More recently, senior BEIS Policy officials have met Al Cameron on 1 May 2019 to discuss the ongoing litigation, postmaster remuneration and the overall relationship with the NFSP, franchising and further opportunities for POL – mainly around digital identity and GOV Verify. A note of the meeting is attached as Annex F.

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- Annex A: POL's submission to the BEIS Select Committee**
- Annex B: The NFSP submission to the BEIS Select Committee**
- Annex C: POca Baroness Buscombe Letter**
- Annex D: More information on the POca legacy issues**
- Annex E: Readout of BEIS Meeting with AI Cameron**

Annex E: Intro meeting for Carl Creswell and Eleanor Beal with AI Cameron and Patrick Bourke (POL), 1 May 2019

- **Policy team's role:** we explained that we are increasing the scale of resource on the BEIS side, including the arrival of Carl as the new Director. Our role will be to challenge the Post Office from a policy perspective and to help represent them across Government. UKGI continue to work with POL on the commercial side of the business. AI saw the development of our team alongside UKGI as a positive thing.
- **Developing Government's long-term ambition for the Post Office:** AI noted the tension between Government having ambitions for POL and POL operating as an independent business. They are working on a 5-year financial strategy to land with the Board in July, which will also inform any SR ask from POL. POL are also doing a piece for July Board exploring POL's future role in relation to cash and ATMs. He was keen to flag the risk of HMG overreach, but saw the value of a longer term vision piece (10-15 year time horizon) and was keen for us to do this in a joined-up way with POL. He offered to share their emerging thinking with us as they develop it. He also highlighted a couple of areas where he would welcome a steer from Government as we do our longer-term policy thinking about what the future Post Office might look like:
 - should POL be the front-office for Government (citing past difficulties that Govt has had joining up internally to achieve this)?
 - what role should POL play in financial inclusion and access to cash in the long term?
- **Litigation:** we raised the issue of the litigation and recent recusal decision, asking about their approach to handling the issue. AI confirmed that they have changed their legal counsel. Their main driver is to protect the company from what they see as them being sued. Their new legal advisors have given them confidence in the substance of their case. They will need to submit their intent to appeal in mid-May.
- **Postmaster remuneration:** we raised the concerns about postmasters being seen to earn less than the National Living Wage. AI emphasised that most postmasters benefit significantly from income generated through their retail business. However, we said that POL's ambition is to make it easier for postmasters to earn more, rather than to focus on giving them a bigger share of a limited income. They are taking a piece of work to the October Board, bringing in consultants to help

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them have 'a real stand back think' about this. We agreed that this is part of a wider question about what makes running a post office attractive (pay, footfall, costs, but also by making it simpler to run a Post Office).

- **Franchising:** we mentioned the pressure that Kelly receives in Parliament on individual cases. AI reiterated that franchising was important for the commercial direction of the business. He recognised the importance of handling comms sensitively. We flagged that Kelly is likely to challenge them on this at the 20 May meeting. AI also mentioned that they are happy to keep pressure on partners such as WH Smith after franchising has taken place if the quality of service needs any improvements. Their experience tends to be that concerns from the public fade away after the franchising has taken place.
- **NFSP:** we asked about the "gagging clause" that prevents NFSP from criticising POL (which was referenced in the first judgment in the litigation). AI recognised that having it was a mistake – and he said that POL and NFSP have agreed to waive it.
- **POCa:** AI told us that Amber Rudd has agreed to meet POL to discuss their concerns. POL will write to DWP again in advance of this, providing more background evidence on the potential implications of not including POL in the replacement scheme. They are keen to find a way to make the point that there could be a negative reaction if postmasters feel HMG is taking work away from them, especially in Northern Ireland.
- **Digital identity:** POL are keen for BEIS to engage with them on digital identity and advocate for POL as the only trusted brand (e.g. by using Verify instead of other commercial providers). They believe that this needs cross-Whitehall leadership.
- **£95K cap on redundancies:** AI raised the need to secure a permanent exemption for POL from this because it contravenes their agreed contracts and will raise costly issues for them. We will follow this up with UKGI, who are discussing with HMT.