

Company No. 9774296

**UK Government Investments Limited
(the "Company")**

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Paper for the UKGI Board

Topic: Post Office Group Litigation

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The Board is asked to note that the Post Office and the claimants in the Group litigation (Bates v Post Office) have today announced they have reached a settlement. This is a very positive outcome for all parties. The UKGI team have been closely involved, most recently in helping secure the necessary approval to the settlement figure from BEIS Ministers and the Chief Secretary to the Treasury.

Background

The Board will recall from previous briefings that the Group litigation involved claims by 555 mostly former postmasters about liability for unexplained losses and the reliability of Horizon, an electronic point of sale and accounting system. Many postmasters complaints have been ongoing for over ten years.

In April 2016, a High Court claim was issued and in March 2017 a Group Litigation Order was made. In order to manage the Group Litigation, it was broken down into four trials scheduled between November 2018 and March 2020. The first "Common Issues" trial focused on the terms and interpretation of the contract(s) and was heard in November and December 2018.

Judgment was handed down on 15 March 2019 and was considerably more adverse than expected by POL. After a failed application to have the judge recused on grounds of bias POL sought permission to appeal the legal findings but that was refused, both by the trial judge and more recently by the Court of Appeal.

A second "Horizon Issues" Trial concerning the function and reliability of the Horizon system used by postmasters concluded on 2 July and judgment will be handed down on 16th December.

Following the Common Issues judgment, POL's Board decided that new legal leadership and a wider review of its litigation strategy was required. They replaced the company's General Counsel and appointed new legal advisors (Herbert Smith Freehills) to advise them directly on their litigation strategy and in particular a route to settle the litigation.

Settlement

The parties began a mediation on 27th November and that was successfully concluded last night. As a result POL will pay the claimants £57.75m which figure includes the claimants costs

of £5.5m that POL were ordered to pay following the Common Issues judgment. That payment will settle all the claims in the Group litigation. Judgment on the Horizon system will still be handed down on 16th December but the Group litigation has now come to an end.

It is important to note that notwithstanding this very positive outcome for POL they will have two broad areas of continuing exposure as follows:

- The 61 convicted claimants who are part of the Group litigation – if anyone is successful in getting their convictions overturned they may have claims for stigma damages/malicious prosecution. Such potential claims were not capable of being settled as part of the Group litigation.
- Other postmasters (current or former) who are not claimants in the Group litigation – POL have no visibility of whether there are any potential claimants in this category. They cover a spectrum that could range from existing postmasters who bring complaints about shortfalls they have had to repay to former postmasters whose appointments were terminated and might bring significant claims for loss of earnings. There are arguments that due to the passage of time some of these potential claims may no longer be allowed to be brought, either on the grounds that they are time-barred or because the claimants have had ample opportunity to join the Group litigation. It is possible nevertheless that POL may remain exposed to potential claims until at least April 2022 (i.e. 6 years after the Group litigation was commenced), but we are confident that this settlement is as final and comprehensive as it can be within the bounds of the mediation.

Further detail will be provided at the next UKGI Board meeting

Richard Watson
UKGI General Counsel

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