

**From: Belinda Crowe**

**25/02/2014**

**To: Chris Aujard**

### **Mediation Scheme**

This note sets a few issues we thought you need to consider ahead of the Board, a speaking note on the Scheme in general and some briefing on the expectation gap if needed (Finance are briefing Chris Day on this issue)

### **Issues to Consider**

- What are we trying to achieve and what is the Board looking to ExCo to deliver for POL?
- What do you say about Second Sight and their credibility – this impacts on how the £25M - £50M is handled.
- What do you report on the contractual issue – given that the engagement letter was not properly discussed

### **Speaking Note**

### **Scheme Performance**

- Taking firm weekly targets to the Scheme Programme Board on Friday
- Two cases under current consideration for early settlement – recommendation to Programme Board this week?
- Definite bottle neck with Second Sight who acknowledge will not complete by end October

### **Current Situation**

- Chief Executive and I met with Second Sight and Tony Hooper
- Second Sight willing to consider changes to Scheme design and processes
- Tony Hooper also willing to consider but wants to see what Second Sight produce first
- SS reports due tomorrow

### **Next Steps**

- Considering the options for reconfiguring the Scheme
- Inviting Second Sight in to workshop through some of them
- Inviting Tony Hooper in to review the processes

## EXPECTATION GAP

### Summary

- Current Gap is from Circa £100M claims to £6M BD estimate
- Second Sight estimate £25M – £50M
- Tony Hooper also cautioned against being too sure of low value of claims
- Bond Dickinson assessment is against the Post Office Settlement policy
- Assessment excludes consequential losses
- The Board were first briefed on the expectation gap in November and the Chair has been updated since then (including the briefing for the James Arbuthnot meeting.)
- Estimate has substantially increased since November as we have seen a large number of extra claims of over £1M.
- **Not merits based** – the BD assessment is of the value of the claim against the settlement policy if the claim is valid.

### Potential Next Steps

- You may wish to commission (ideally jointly with Chris Day) a second opinion on exposure (legal or accountant based or both).
- You may wish to instigate merit based assessment of claims (after the POL investigation) – this will have a cost.

### Caveats

- Some of the applicants have not properly quantified their losses (or have not quantified losses at all) and we would therefore expect their claims to be higher. In some instances our value is higher than the amount claimed as the applicant has, for example, simply put that he is seeking recovery for pain & suffering (therefore we have still quantified this element of the claim).
- Where pain and suffering is claimed we have subscribed a value of £6,000 (being the maximum amount available in the lowest band in the settlement policy). Some applications may warrant a higher payment if for example it can be shown that a criminal prosecution is unsafe. Equally some applicants may warrant a lower payment.
- We have not second guessed the applications so, for example, if pain & suffering is not claimed we have not considered this when valuing the claim.
- We have not taken any account of interest (if claimed we have subscribed a nil value when calculating the value). Post Office will need to decide on the approach it will take to the payment of interest. Depending on the approach taken to interest, the value of the claims may substantially increase.
- The main reason for the discrepancy between what is claimed and the current valuation of the claims is due to applicants claiming for high value consequential

losses such as bankruptcy, losing their homes and future loss of wages (in some cases up to retirement) which, in accordance with the settlement policy, a nil value has been subscribed (with the exception of income where we have allowed 3 month recovery only in line with the settlement policy).