

From: Belinda Crowe
Programme Director
Initial Complaint and Mediation Scheme

CC: Chris Aujard
Scheme Programme Board

27/01/2014

To: Chairman and Chief Executive,
Post Office Limited

BRIEFING FOR MEETING WITH RT HON JAMES ARBUTHNOT MP

Issue

An updated briefing note ahead of your meeting tomorrow (28 January) with James Arbuthnot MP.

Summary

Following the pre brief the briefing has been updated as follows:

1. Business Improvement Programme

- Addition of case studies and two charts showing the change in suspensions over time both of which paint a powerful picture of behaviour change in Post Office.
- Addition of a prosecution speaking note.

2. Initial Complaint and Mediation Scheme Performance, timescales and the role of the Working Group

- Addition of a slide mapping the process
- Updated performance data including amending the timescale for the first cases to reach mediation to late March as Second Sight have asked for a two week extension on their first reports.

3. Annexed an email exchange between Post Office and James Arbuthnot from March 2013

- This exchange came to light following the review of correspondence between James and both of you. It helpfully shows James narrowing the scope of what MPs agreed Second Sight should be looking at. We have not found any definitive correspondence one way or the other however. It appears that a final note of the meeting was never issued by James' office.

Second Sight

During a wider discussion with Second Sight they mentioned to me that they thought that James Arbuthnot might raise the issue of their broader work and in particular when they might produce a further report. It is not clear whether or not they have briefed James' office to raise this or that it is their view that he might do so of his own volition. They are also proving difficult to pin down on the issue of Post Office funding work outside of the Working Group at the behest of MPs. As we discussed in the pre brief we currently have no visibility of the extent of contact between James' office and Second Sight and how engaged they are or indeed James' own views.

Practicalities

This agenda has not been shared with James' office in advance of the meeting. As agreed David Oliver from the programme team will accompany you and take a note of the meeting.

Belinda Crowe

**ANNOTATED AGENDA
MEETING WITH JAMES ARBUTHNOT
28 JANUARY 2014**

1. Business Improvement Programme

- *Quick Wins – changes to the handling of contract breach, suspensions and training and support to Subpostmasters*
- *Longer Term Changes – planning underway; detailed plans will be in place by end February*
- *Measuring Success- Subpostmaster engagement and cost reduction*
- *Branch User Forum – now met twice*
- *Prosecutions – basis for Post Office prosecutions and board review*

2. Initial Complaint and Mediation Scheme Performance, timescales and the role of the Working Group

- *A chance to discuss Scheme performance including our latest estimate of the Scheme's likely closure*
- *Discussion of the Working Group, how it is functioning and what the boundaries of its role are*

3. Second Sight Work

- *Update on Second Sight's role and the products they will be producing*

4. Mediation

- *How the process will run, who will have a role in it and the expectation gap*

5. Replacement for the Mediation Scheme

- *Work underway to design new procedure but at an early stage at the moment*

6. Next Steps

- *Suggest a wider meeting with MPs before Easter and the next bilateral with James shortly after Easter recess.*

1. Business Improvement Programme

To ensure proper focus on both the Scheme and the Business Improvement programme the latter has been separated into a distinct programme under separate governance reporting to Kevin Gilliland.

Purpose & scope

The purpose of the Business Improvement Programme (BIP) is to improve the effectiveness and efficiency of the support we provide to our subpostmasters in the running of their Post Offices from an operational and engagement perspective by:

- Reviewing the life cycle of the subpostmaster and all touch points with the business.
- Taking input from owners, users and recipients of Post Office policies and processes.
- Designing policies and processes that deliver improved ways of working with our subpostmaster network in a cost effective and engaging way.
- Reviewing all our interactions with Subpostmasters and making recommendations on structure design for the network and admin support function touch points.
- Developing an implementation plan to move from existing to future state.

Quick Wins

In the process of mapping the “As is” and “To be” processes. Quick wins have already been implemented with more planned for implementation in Q4. The key areas of change are the training offered for new Subpostmasters and our approach to Subpostmaster contract breaches.

- **Precautionary Suspension** approach – we have reviewed our approach in how we respond to material contract breaches by Subpostmasters and made the following improvements:
 - Our default position is to keep the Subpostmaster in post and the branch operational, unless in the usually low number of cases where not to precautionary suspend the Subpostmaster would carry a high risk of damage to POL’s reputation and / or a high risk to POL’s assets, or where a customer has been directly involved in a potential fraud by the Subpostmaster.
 - We are introducing in Q4 a new category of action in dealing with material breaches of contract i.e. Suspended termination. This is where the Subpostmaster has materially breached the contract and would have previously had their contract terminated. The new Suspended Termination category is where mitigating circumstances are such that the decision is to award a suspended termination is made; the Subpostmaster remains in post on the condition that if a further breach of contract occurs in an agreed period (set by the nature of the first breach and typically a year) then the contract termination is triggered.
 - Where a potential breach of contract has occurred our approach is to work with the Subpostmaster to establish the facts and then to take the appropriate action. Any investigation is carried out in a totally objective way treating the Subpostmaster at all times with dignity and respect regardless of whether there is evidence to suggest any wrong doing.
- **Training** - we have improved the training approach by:
 - introducing an introductory call to the new Subpostmaster two weeks before they take up post.
 - having earlier contact with the Subpostmaster following their initial training and replacing the month 1 telephone call with a branch visit.
 - reviewing the effectiveness of the balancing work-aid to help Subpostmasters identify and hopefully resolve balancing problems earlier.

Longer Term Changes

The Business Improvement Programme has 9 work streams that capture all the touch points the Subpostmaster has with Post Office in running their branch. These are: pre-appointment process; operational support; physical support; performance management; training; communication; IT; early warning/intervention approach; leavers process.

The milestone plan for each of the workstreams is currently being scoped and will be completed by the end of February 2014. Some of the workstreams will have longer timelines than others due in part to the interdependency on other workstreams to complete or other business considerations – the IT workstream is a good example of where delivery will depend on the requirements of the other programme workstreams.

Review Mechanism

The proposed ways of working for each workstream will include an ongoing review mechanism that ensures that continuous improvement is embedded into business as usual.

Measuring Success

The Programme has two main key performance indicators (KPIs) – Agent Engagement and Operational Cost Reduction.

- **Agent Engagement** - the formal measure is the Subpostmaster annual engagement and in particular the support category of the survey. This will be supplemented with Pulse surveys undertaken by Comms at quarterly intervals throughout the year. Reviewing the life cycle of the subpostmaster and all touch points with the business
- **Operational Cost Reduction** - the cost of support to the network will be baselined as part of this Programme. Headline numbers suggest that 40% of the current support to the network is spent on recovery support ie correcting things that haven't been done right first time

Each of the nine workstreams will have performance measurements that feed into the two main KPIs.

Branch User Forum

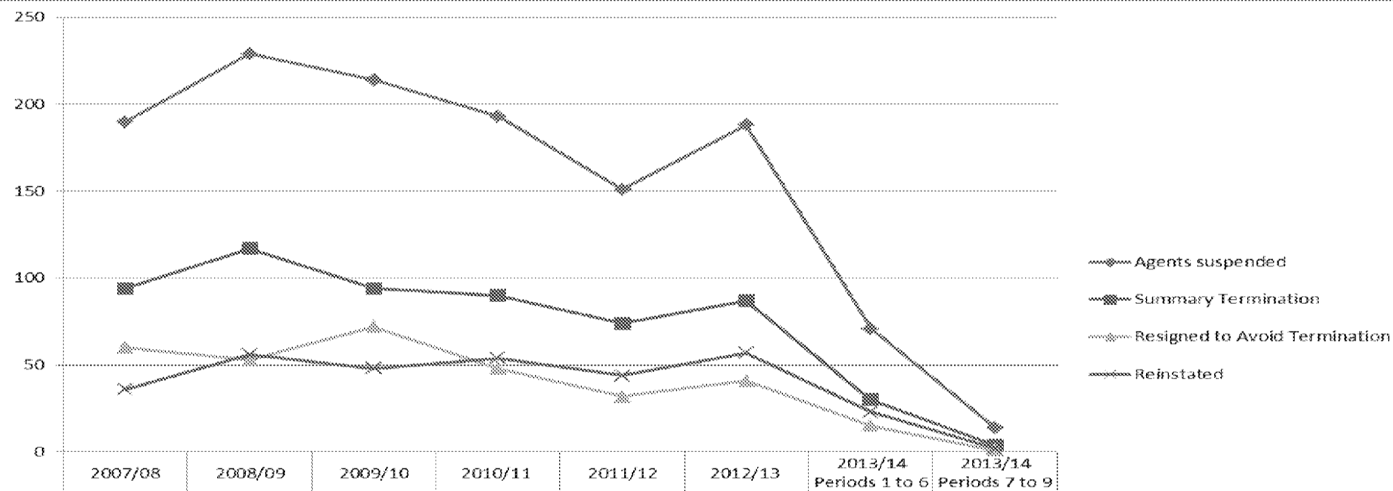
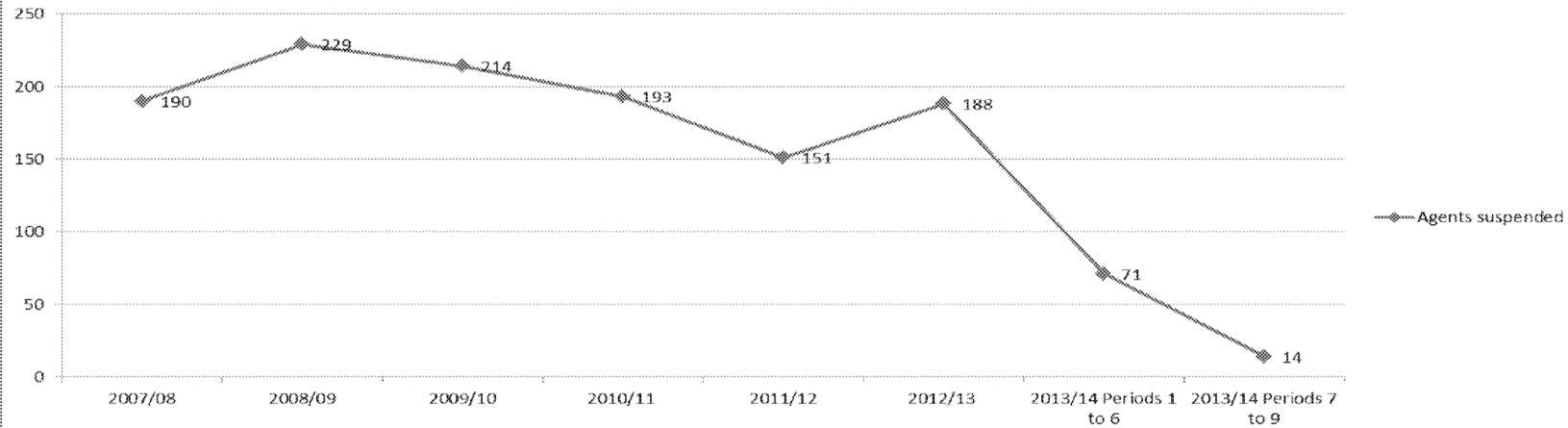
The purpose of the Branch User Forum is to provide a way for Subpostmasters and others to raise issues and insights around business processes, training and support directly feeding into the organisation's thinking at the highest level. The forum is a forward looking mechanism to ensure the business processes and approaches are fit for purpose for users and are in keeping with Post Office behaviours and values. The Forum consists of 6 Subpostmasters, 2 Crown members and 4 PO Senior Managers. The second meeting took place on 16 January and covered the communication approach that the forum would take and a review of the initial inputs to the forum.

Subpostmaster Contract Breaches – New Approach Examples

No Precautionary Suspension Examples – these are where under the previous approach precautionary suspensions would have happened.	
Date of Audit	Decision in respect of Contract breach
Sept 2013 Risk Based Audit	Audit result was £1112.98 short. As this was over the £1K threshold this would have previously led to a precautionary suspension pending investigation. Three cheques totalling £800 were missing – the response from Spmr was vague in relation to where they were. Rather than suspend, upon making good the full amount of the loss on the day the branch was re-opened and service maintained. The Spmr later attended a meeting with the Contracts Advisor in relation to the contract breach.
October 2013 Risk Based Audit	Audit result was £5401.44 short which would have led to automatic precautionary suspension. Spmr claimed historic stamp shortage (2008) and part Transaction Correction had been disputed. The loss was made good on day. The Spmr was kept in post. The investigation and the interview with the Spmr taking place at a later date. Written warning was issued.
November 2013 Audit following cash check escalation	Audit result was £17,818.42 short. It was clear from Field Support Advisor (auditor) on site that this was down to OIC who failed to appear with safe keys which would have previously led to automatic precautionary suspension. The Spmr accepted full responsibility and undertook to repay at earliest opportunity in full (received within 7 days). The Spmr was kept in post and interviewed at a later date. The Spmr has since left as part of a commercial transfer.
December 2013 Special Request Audit	Audit result was £36148.04 short. Staff member had been manipulating cheques within the account – these cheques were not being received by the processing centre. The staff member was son of the Spmr who had left him in charge without proper controls. The Spmr accepted full responsibility for loss, removed her son from the branch and entered into repayment arrangements with us to repay the loss. Previously the Spmr would have been precautionary suspended whilst the investigation was completed but in this instance the investigation was but was done on the day. As the Spmr is a pluralist if suspended she would have been suspended from both branches.
Precautionary Suspension Examples – these are cases that under the new approach warrant precautionary suspension	
Date of Audit	Decision in respect of Contract breach
November 2013 Risk Based Audit	Audit result was £33,388.14 short. During the audit the Spmr admitted taking £29k and giving it to his brother to buy a car. Precautionary suspension took place and following interview with Contract Advisor the Spmr's contract was terminated. The debt is still outstanding. A temporary Spmr is running the branch.
September 2013 Risk Based Audit	Audit result was £7488.00 short. The Spmr admitted misuse of funds to keep business running as struggling to maintain. He was precautionary suspended because no reasonable explanation and funds would have continued to be at risk. He later resigned to avoid termination.

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Agents suspended



	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14 Periods 1 to 6	2013/14 Periods 7 to 9
Agents suspended	190	229	214	193	151	188	71	14
Summary Termination	94	117	94	90	74	87	30	4
Resigned to Avoid Termination	60	53	72	48	32	41	15	1
Reinstated	36	56	48	54	44	57	23	2

Prosecutions

This agenda item also offers the opportunity for you to clarify with James the basis under which Post Office prosecutes and also reassure James that the Board is now taking a keen interest in the Post Office prosecution policy. Given James' past views on this matter it will probably be worth stressing that the Board has not taken a decision yet, but is mindful of the need to balance deterrent and punishment with the wider impact on the business.

How Post Office Limited has authority to bring prosecutions

As a company all prosecutions Post Office Limited brings are private prosecutions. We have the right to bring them by virtue of section 6(1) Prosecution of Offences Act 1985 – just as any other company or adult in England & Wales has the same right. These are prosecutions that are started by persons who are not acting on behalf of the police or CPS (although the CPS has the right to take over such prosecutions or even discontinue them).

Prior to the Prosecution of Offences Act 1985 Post Office Limited had certain rights to bring prosecutions under the Post Office Act 1953 and, before that, under the Post Office Act 1908. The decision was taken to bring together these Post Office specific mandates with similar mandates of other companies and replace them with a simple right to bring private prosecutions (now embodied in section 6(1) of the Prosecution of Offences Act 1985).

Speaking Note

- While we are discussing the business improvement programme I would like to take this opportunity to update you on prosecutions too.
- I have two pieces of good news:
 - **Firstly** I would like to clarify that Post Office are not a prosecuting authority. Post Office did have the right to bring certain prosecutions under the 1953 Post Office Act however that status was changed by the Prosecution of Offences Act 1985.
 - Under the 1985 Act Post Office can bring private prosecutions in the same way as any company or adult in England and Wales can.
 - **Secondly** as you have seen from the statistics on suspensions the business improvement programme is having a large impact. We expect it to have a similar impact on prosecution numbers.
 - Given that we are now suspending substantially fewer people and expect to prosecute fewer too the Board is reviewing Post Office's approach to prosecutions. Although we are conscious that we need to design a prosecution policy which fits with the new approach and not the old prosecution volumes.

2. Scheme Performance

- Overall the scheme is progressing well and Post Office have committed substantial resources to ensuring that it is delivered successfully.
- Scheme received approximately double the number of cases that Post Office expected.
- This volume of applications show that the partnership approach has encouraged people to bring forward their concerns.
- The early cases are very important as we work through with the Working Group how they should be handled. Once they are completed we should have greater clarity on the timescales for completion of the Scheme.
- Post Office is building a strong team to manage the process and has committed 22 investigators to ensure that the cases are handled in a timely fashion.
- We expect the first cases to enter mediation in late March.

Case Progress – as of 27 January

- Applications Received: 147
- Applications accepted for funding: 82
- Applications Rejected: 4 (not eligible)
- Case Questionnaires Received: 39
- Investigators in post: 22
- Cases under active investigations by Post Office Limited: 29
- Cases under active Second Sight Review: 4
- Cases withdrawn: 9 (worth highlighting that for all withdrawals the applicant was happy to withdraw post discussion with Post Office)
- Cases suspended pending criminal investigation: 4

Scheme timescales

As previously highlighted the larger than anticipated volume of applications has impacted on our originally anticipated timescales. The initial cases are also taking longer as we agree the detailed business processes and quality standards with the Working Group.

Cases are taking longer to progress through the Scheme than we anticipated. Post Office are clear though that the investigation needs to be both timely and thorough and that is why we have 22 investigators trained and working on cases at the moment.

We expect the first case to reach mediation by late March and to have completed most Post Office investigations by the end of July.

Sir Anthony Hooper has been clear that we should balance the need to progress cases through the scheme with pace with the need to be thorough and navigate the first cases through the scheme carefully. Getting it right is important.

Working Group

The Working Group is the independently chaired oversight body overseeing the administration of the Scheme. It is Chaired by Sir Anthony Hooper a retired Appeal Court judge, and has both Second Sight and Justice for Subpostmasters Alliance (JFSA) as full members along with Post Office.

The Working Group is overseeing the movement of cases through the Scheme through weekly case conferences and monthly face to face meetings. The Group is providing a strong level of oversight and challenge to Post Office and is working well to provide a channel for both Second Sight and JFSA to voice any concerns about how the Scheme is progressing.

Simplified Scheme Throughput



3. Second Sight

Chris and I briefed you on the discussions we have been having with Second Sight on the terms of their engagement with Post Office and that they were resisting strongly any limitations being placed on their work. Second Sight have asserted that Post Office had provided assurances that they could set their own scope and also that they were engaged not only by Post Office but also by James. This meeting provides an opportunity to clarify with James what work they will be doing going forward and also to ensure that he is clear that Second Sight are engaged by Post Office and the Working Group and not him.

Boundaries of Second Sight's engagement

It would be helpful to confirm with James his understanding of the terms of Second Sight's engagement and also make clear that for Post Office their work on the Scheme is their only current area of engagement. This agreement and clarity of purpose will be crucial in ensuring that all work stays focussed on the successful delivery of the scheme and resolving the complaints of Subpostmasters as quickly as practicable.

Second Sight has two key formal roles within the Scheme:

- As Working Group members – charged with overseeing the successful administration of the Scheme.
- Providing reports on cases within the Scheme and making recommendations for areas where Post Office and the applicant should mediate.

Second Sight's reports

Second Sight's reports are a critical part of the process to provide an independent assessment of the applicants' claims and a challenge to Post Office. For that reason Post Office need Second Sight to focus on this work as the volume of cases they will have to review with only three members of staff is substantial.

We are expecting the first Second Sight report to be ready in late January and that this will enable the first mediation to be set up for early March. Second Sight's reports will be disclosed to the applicant as part of the paperwork to support the mediation meeting.

It is the internal Post Office team's understanding that the successful completion of the mediation scheme will obviate the need for a further Second Sight report.

4. Mediation

We expect the first case to reach mediation in late March. The mediation process will be run as follows:

- Mediation is being arranged through CEDR an independent organisation who will arrange premises and appoint the independent mediator.
- Post Office will be represented by a senior manager and a lawyer from Bond Dickinson; the applicant will be present together with their professional advisor (who Post Office is funding).
- Each party to the mediation will be provided with a copy of the application, the completed case questionnaire response, the Post Office investigation and Second Sight's reports.
- It is envisaged that mediation will take between half a day and a day.
- Post Office will report at a high level on the outcome of the mediation to the Working Group, likely to be limited to numbers of cases mediated and whether a case has been resolved.

Expectation Gap

As discussed previously at Board meetings last year, the expectation gap is the difference between the amount claimed by applicants and Bond Dickinson's (our legal advisors) high level assessment of the realistic value of the claims. Although you will not want to discuss the actual amounts claimed and the size of the gap it would be useful to start to make James aware that we have been seeing some very large claims and that we do not currently think that some of the amounts claimed are valid. For example in some cases professional advisors may have adopted the tactic of claiming high to be negotiated down. We suggest that you remind James that this is a zero sum game and that as a publicly funded company any money spent on compensation is money that cannot be reinvested in the business with a consequent impact on sub-postmasters and the service to the general public. That said it will be important to stress that Post Office will, if appropriate, provide recompense to any sub-postmaster who has been wronged.

NOT FOR DISCLOSURE - BACKGROUND INFORMATION ON CLAIM LEVELS

- So far Bond Dickinson have analysed 25 so called case questionnaires (the detail of an applicant's claim).
- Those claimants have sought £14.1M (with one individual seeking £5M)
- Excluding consequential loss (eg loss of house through failure to keep up mortgage payments) and assuming that any investigations undertaken by Post Office produce evidence that is not inconsistent with the Subpostmasters allegations then the approximate value of each case (applying our draft settlement policy) would be (as calculated by Bond Dickinson) be of the order of £40,000.
- Current expectation gap is circa £13M (in relation to the 25 claims so far evaluated).
- Out of 25 detailed claims we have 5 claims over £1M and a further 7 over £100K.
- If this level of expectation gap is continued for the rest of the applications we would expect to see an expectation gap of approximately £47M (excluding the one case of £5M as an outlier).

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 ascribed (with the exception of income where we have allowed 3 month recovery only in line with the settlement policy)

This calculation of the expectation gap is rather rough and ready because....

- Some of the applicants have not properly quantified their losses (or have not quantified losses at all) and in such cases we have ascribed a cash value to their claim using the settlement policy.
- Where pain and suffering is claimed we have ascribed 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.

5. Handling of Future Complaints

We understand that James may wish to discuss this with you. The work to design the future complaint handling model has just started and we envisage taking a set of options for the new model to ExCo and the

Board in April. It is too early at this point to provide James with any detail on our thinking but you may wish to offer to update him further as our thinking develops. It is important that we learn from the existing scheme and our business improvement changes before deciding what should come next.

BACKGROUND BRIEFING NOT FOR DISCLOSURE

Post Office publicly committed to:

"2. A review chaired by an independent figure to determine how an independent safety net might be introduced to adjudicate in disputed cases in the future. Again the JFSA and other stakeholders will be invited to take part in this process." (Post Office press release 8 July 2013)

"Secondly, an independent figure will chair a review to determine how best to adjudicate disputed cases in future. The JFSA and other stakeholders will also be invited to take part in this process." (Jo Swinson MP, Oral Statement, Hansard 9 July 2013)

Work has only just commenced on this and the current approach is to gather evidence and examine the current landscape and options before deciding when and how to bring in an independent figure. We have previously discussed whether this would be a role for Tony Hooper but we need to consider the timings and whether it is appropriate for him to advise on a new scheme while overseeing the current one. This approach is being taken to the Programme Board on 4 February and then to ExCo for sign off.

6. Next Steps

Post Office needs to regain the initiative in its dealings with stakeholders to the Scheme. Currently we are too reliant on JFSA and Second Sight to communicate the views of MPs to the programme. To address this it would be helpful to offer James a further meeting (shortly after the Easter recess) and highlighting that we intend to update interested MPs before Easter on the progress of the Business Improvement programme.

ANNEX Email from James Arbuthnot

From: ARBUTHNOT, James [GRO]

Sent: 26 March 2013 15:44

To: Susan Crichton

Cc: Alwen Lyons; Simon Baker; Ian Henderson; 'Ron Warmington'

Subject: Second Sight note from meeting 25 March

Sensitivity: Confidential

Dear Susan,

I have had sight of Ian Henderson's email to you following the meeting held at Westminster on 25 March. I would be grateful if you would forward this message to Ruth X. Barker and Mark R. Davies, neither of whom is known to me, nor do I have their email addresses, but as they were included in the initial circulation, I feel they ought to be able to read my response.

The reason I am writing is that my recollection of the meeting is somewhat different to his. I plan to circulate the note my office made of the meeting in due course, but please would you note the following comments from me (in red), which refer directly to Ian Henderson's points in the email he sent to you, copied below.

1. There was broad support for the concept of reporting on issues rather than individual cases – rather than 'support', I think I would express this as 'understanding'. MPs will, in the end, want to know how their individual constituent's case concludes, and whether it can be stated that their constituent has been wrongly accused.
2. The MPs want Second Sight to report on a much wider range of issues in July than we had planned i.e. not just the Horizon transaction issues. A consequence of this is that any report in July will be an interim not a final report – this is not my recollection of what was discussed or agreed at the meeting. Although the possibility of a July meeting was mooted, and the possibility that the report that might be presented at that meeting might be interim in nature, no desire for a wider range of issues to be reported on was mentioned by MPs.
3. There was broad support for the proposal to run a series of tests in the Model Office replicating the specific scenarios reported by SPMRs – this was not really discussed. What I heard was that the Model Office was offered to Second Sight as a way to test processes and the system by the Post Office, but no express support – or lack of it – for its use was discussed or agreed.
4. Alan Bates reported that a significant number of SPMRs had not accepted the JFSA / POL agreement and remained concerned about possible retribution from POL. This has resulted in under reporting of cases and issues. (This was the first time we had been told about this) – this is true. I was rather irritated that Alan Bates raised this without warning, and did so publicly.
5. MPs (and JFSA) reported continuing concern about "heavy handed" audit and investigations processes and the inability within POL to differentiate between genuine issues of concern reported by SPMRs compared with suspected fraud or theft. This is causing real hardship to SPMRs and may lead to suicides. (This was mentioned more than once) – this was the view coming from the JFSA, not MPs. I do not recall any mention of suicides at the meeting, but JFSA did raise the point that POL continues even today to prosecute allegations of theft without the prior investigation or the tentativeness that this investigation would suggest might be necessary.

6. MPs were pleased to note the personal involvement of Alice Perkins and Paula Vennells but would like this to be extended within POL to a much more sympathetic attitude to SPMRs with problems. They felt internal communication processes within POL were not working well. There was universal concern about the continuing use of comments such as "we have total confidence in the Horizon system" which are contrary to the experience reported by a number of SPMRs – I am unhappy with the way this is expressed. There was no expression of any views from MPs or their representatives about internal communications within the Post Office, nor that the personal involvement of staff beyond senior management ought to be extended. That the Post Office continues to claim confidence in Horizon is factually correct, and I emphasized that until cases were put to the Post Office which undermined this confidence, the Post Office's stance was understandable.
7. In the light of the issues now being looked at by Second Sight, POL should consider a suspension of all current prosecutions activity until after July at least – this was not specifically discussed at the meeting, but it may well follow from the point I make at 5 above.
8. There was widespread support for the view that it is essential the investigation continues to be supported by POL as it was felt that this is the best opportunity to really dig into the issues and concerns reported by SPMRs – as above, a good point. There was, however, concern that the matter was going on so long and costing POL a lot.

To my mind, the meeting went as well as could be expected. I would not go so far as to support Ian's opinion that 'extensive concern' was expressed about the investigation and prosecution processes the Post Office is following. My impression is that by and large, we listened to what was being presented to us by Second Sight. Mike Wood and Kevin Barron certainly did mount some robust questioning, as they should, but to shape this as 'extensive concern' is stretching things a bit, I think.

I shall circulate my briefing in due course, but would be grateful if you would note my comments above.

Yours ever,

James

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From: Ian Henderson [GRO]

Sent: 26 March 2013 10:25

To: 'Susan Crichton'

Cc: 'Alwen Lyons'; 'Simon Baker'; 'Ruth X Barker'; GRO

Subject: Meeting with MPs - 25 March 2013

Sensitivity: Confidential

CONFIDENTIAL: BRIEFING FOR JAMES ARBUTHNOT MEETING 27/01/2014 1210

CONFIDENTIAL

Susan

The meeting with MPs went reasonably well, however there was robust questioning from a number of MPs, particularly Mike Wood MP and extensive concern expressed about POL investigation and prosecutions processes. Janet Walker will be circulating an official minute of the meeting in due course. Whilst Shoosmiths were present throughout, they took no part in the meeting and did not comment at any point.

I attach a copy of the Second Sight Briefing Note that was tabled at the meeting.

Headline points from the meeting were:

1. There was broad support for the concept of reporting on issues rather than individual cases
2. The MPs want Second Sight to report on a much wider range of issues in July than we had planned i.e. not just the Horizon transaction issues. A consequence of this is that any report in July will be an interim not a final report.
3. There was broad support for the proposal to run a series of tests in the Model Office replicating the specific scenarios reported by SPMRs
4. Alan Bates reported that a significant number of SPMRs had not accepted the JFSA / POL agreement and remained concerned about possible retribution from POL. This has resulted in under reporting of cases and issues. (This was the first time we had been told about this)
5. MPs (and JFSA) reported continuing concern about "heavy handed" audit and investigations processes and the inability within POL to differentiate between genuine issues of concern reported by SPMRs compared with suspected fraud or theft. This is causing real hardship to SPMRs and may lead to suicides. (This was mentioned more than once)
6. MPs were pleased to note the personal involvement of Alice Perkins and Paula Vennells but would like this to be extended within POL to a much more sympathetic attitude to SPMRs with problems. They felt internal communication processes within POL were not working well. There was universal concern about the continuing use of comments such as "we have total confidence in the Horizon system" which are contrary to the experience reported by a number of SPMRs.
7. In the light of the issues now being looked at by Second Sight, POL should consider a suspension of all current prosecutions activity until after July at least
8. There was widespread support for the view that it is essential the investigation continues to be supported by POL as it was felt that this is the best opportunity to really dig into the issues and concerns reported by SPMRs.

I will circulate Janet Walkers note of the meeting as soon as I receive it

With best wishes

Ian R Henderson CCE CISA FCA

Advanced Forensics - London, UK