

Strictly confidential and privileged
Draft for comment 10 March 2014

The Post Office Limited
Initial Complaint Review and Mediation Scheme
Proposed outline of report for the Board

1 Background to the report

- 1.1 The report is being commissioned by the Board of Post Office following concerns over the level of claims and costs and other potential legal and financial exposure for Post Office in connection with the Initial Complaint Review and Mediation Scheme (the "Scheme").
- 1.2 We understand that the Scheme was set up in August last year with a view to bringing closure to the various allegations that had been brought about the Horizon system ("DN insert footnote"); at that time the working assumption was that there were:
 - 1.2.1 No systemic problem with Horizon;
 - 1.2.2 the training and support for SPMRs with respect to Horizon was fundamentally sound but there were areas that could be improved upon;
- 1.3 It is intended that the report will be presented to the Board on 26 March 2014.

2 Key matters to be addressed

- 2.1 The report will consider:
 - 2.1.1 Whether and to what extent Post Office has any legal liability with respect to (a) complaints made by applicants to the Scheme [and (b) any other matters identified as part of the investigatory work carried out by Post Office in the process of responding to applicants.]
 - 2.1.2 The nature and extent of the risks arising from and associated with the Scheme in its current form.
 - 2.1.3 Whether and to what extent the Scheme, as currently structured, can be sensibly modified in order to improve the efficiency and effectiveness of its operation, and mitigate any of the risks identified in the above.
 - 2.1.4 The nature of any dispute resolution (or similar) mechanisms that could be established either in order to replace the Scheme or augment its operation. In particular mechanisms considered will include adjudication, arbitration and the use of ombudsman services.
 - 2.1.5 In the event that a decision is made by the Board to discontinue the Scheme what steps Post Office could take to minimise any existing legal exposure
- 2.2 In addressing the above we will have regard to administrative convenience, cost, complexity, relative merits and viability of the alternative structures.

3 Policy Factors

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3.1 It is expected that as part of the Board's decision making process it will have regard to the following factors:

- 3.1.1 Does Post Office wish to consider paying compensation by reference to principles other than legal entitlement? If so, how will it articulate and apply those principles? What will it say to Subpostmasters and stakeholders?
- 3.1.2 Does Post Office wish to continue not to establish a full baseline audit of the successful functioning of the Horizon system.
- 3.1.3 How important is it to Post Office to determine the facts of each individual claim? In any claim is Post Office's stance to be more conciliatory than adversarial? What are the limits of this approach?
- 3.1.4 How and to what extent will Post Office wish to strike a balance between resolving past issues and putting the future operation of Horizon and the relationships with Subpostmasters on a sound footing?
- 3.1.5 How and to what extent will Post Office wish to strike a balance between the matters above and achieving a satisfactory political outcome, including with regard to what has been said in Parliament about the Scheme and Horizon?

4 The basis on which the report has been prepared

- 4.1 The report will consider the issues primarily from the perspective of the general law, but we will highlight where we think appropriate, associated public relations issues and/or political implications which might arise.
- 4.2 The report will not consider certain matters which are expressly "out of scope". These are currently insurance, directors liability.