

OFFICIAL SENSITIVE: COMMERCIAL

To: Baroness Neville-Rolfe
From: Laura Thompson, UKGI [**GRO**]
Date: 3 May 2016
Subject: Post Office Horizon: update on group legal action

Purpose: A further update on the group action lodged by the campaign group Justice for Subpostmasters Alliance (JFSA) against Post Office Limited in relation to the Horizon IT system.

Recommendation: That you note this update and agree that we should continue to maintain that this is a matter for Post Office.

Timing: Routine

Summary

1. My note of 14 April advised that Post Office had received a letter from Freeths, a firm of solicitors instructed by the Justice for Subpostmasters Alliance (JFSA) regarding proceedings lodged against Post Office at the High Court. The JFSA are the campaign group of mostly former subpostmasters who alleged that there were faults in the Horizon IT system used in Post Office branches and that a number of individuals had been wrongly convicted. JFSA were involved throughout the mediation scheme established by POL to look at this matter.
2. Post Office have now received the formal “letter of claim”, which is the document which sets out the actual factual and legal basis of the claim and the remedies sought, on behalf of the 91 claimants. Post Office are now reviewing the letter carefully with their legal advisors. They have three months to respond to the letter. We understand from Post Office that the amount of damages sought has not been quantified.
3. You discussed this with Tim Parker (Post Office Chair) at your meeting on Wednesday. Post Office’s Board are due to discuss this at their May Board meeting (24 May). As far we are aware, the litigation is not affecting the last pieces of work underway in Mr Parker’s review of the matter – as you heard on Wednesday, that remaining work (with Deloitte) may take another month or so.
4. There were two articles on the proposed litigation over the weekend, in the Daily Mail and Sunday Times. Neither raised any new allegations. As Mr Parker advised when you spoke, now that this matter is subject to court proceedings, Post Office’s response to media enquiries will be limited to saying that they will be responding to the claim through legal processes.
5. We recommend that Government maintain the position that this is a matter for Post Office, that we direct any media enquiries to Post Office, and that we do

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not comment further given that legal proceedings are underway. We suggest the following line to be used only if absolutely needed:

"This is an operational matter for Post Office Ltd. As legal proceedings have been announced, we are unable to comment further."

6. The Daily Mail article reports that the Criminal Cases Review Commission "is likely to make a ruling next month". A source is not given. Post Office are continuing to engage with the CCRC to enable them to undertake their reviews, and will seek an update on timings on the basis of this report. Post Office have confirmed that they have not yet been informed by the CCRC of any proposed timing to publish their findings.
7. We will keep you updated with any further developments as appropriate.

Copied to: Ministers' offices, SpAds, Perm Sec, Mark Russell, Justin Manson, Patrick Kilgarriff, UKGI POL team, Claire French.

Advice received from:

Finance	SpAds	Press	Legal	Analysts
No	In parallel	Claire French	No	No

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Sunday Times article: Sunday 1 May 2016

Postmasters to sue over claims they stole cash

Jon Ungoed-Thomas and Joseph Hook

May 1 2016, 1:01am, The Sunday Times

Postmasters have launched a legal action against the Post Office over a controversial computer system that it is claimed has led to more than 150 wrongful prosecutions or claims of theft.

Some sub-postmasters running small post offices across the country were jailed. Others lost their homes and faced financial ruin because they were forced to pay back alleged shortfalls.

A report by forensic accountant Second Sight — which was appointed by the Post Office — found in July 2013 that the system had defects that caused shortfalls and surpluses of up to £9,800 at 76 branches. The postmasters argue there were larger shortfalls and the problem was more widespread.

The sub-postmasters have now filed a High Court claim against the Post Office.

Jo Hamilton, 58, who was prosecuted for stealing £36,000 from a branch in South Warnborough, Hampshire, avoided prison after agreeing to pay the Post Office the missing money and pleading guilty to false accounting. Villagers supported her in court.

Documents seen by BBC Panorama last year indicated the losses at Hamilton's post office were probably caused by operational errors rather than theft. Her case is now being reviewed.

Hamilton, who is part of the legal action, said: "I took my bag on the day I went to court ready to go to prison. It was awful. I think we will get justice because the Post Office is defending the indefensible."

Wendy Martin, 46, a postmistress in York, shut her branch temporarily last year because she says software glitches were causing cash shortfalls at her branch.

The Post Office has said it never prosecutes people for making innocent mistakes and there is no evidence computer faults caused money to go missing at branches where there have been prosecutions.

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Daily Mail article: Monday 2 May 2016

Post Office facing paying millions in compensation to staff wrongly accused of taking missing cash because of an IT glitch

- **Sub-postmasters launch High Court compensation bid against Post Office**
- **125 persecuted ex-workers are taking legal action against 'corporate bully'**
- **Many have been jailed, forced into bankruptcy and had reputations ruined**
- **Were allegedly wrongfully convicted or unfairly forced to pay back 'missing cash' due to glitches on the Post Office's controversial Horizon IT system**

By CHRIS BROOKE FOR THE DAILY MAIL

PUBLISHED: 01:09, 2 May 2016 | **UPDATED:** 03:28, 2 May 2016

Sub-postmasters, who were allegedly wrongfully convicted or unfairly forced to pay back 'missing cash' due to IT glitches, have launched a mass High Court compensation claim against the Post Office.

So far 125 persecuted former Post Office workers have teamed up to take legal action against the 'corporate bully' and many more are likely to join in the claim that could cost the publicly-owned company millions in damages.

Many dozens of Post Office staff been jailed, forced into bankruptcy and had their reputations ruined in what has been described as one of the most widespread miscarriages of justice in the UK this century.

Sub-postmasters, who were allegedly wrongfully convicted or unfairly forced to pay back 'missing cash' due to IT glitches, have launched a mass High Court compensation claim against the Post Office (file picture)

The group secured external funding to cover all costs for the legal case in return for a cut of the proceeds if they are successful.

The Criminal Courts Review Commission (CCRC) has also been considering applications from at least 15 sup-postmasters who were prosecuted in cases related to the Post Office's controversial Horizon software system. The body, which can send cases to the Appeal Court, has been looking at the claims for a year and is likely to make a ruling next month.

The High Court case was revealed by a statement from the organisation Justice for Sub-postmasters Alliance (JFSA) in which it accused the Post Office of 'corporate blindness and arrogance' by its repeated refusal 'to accept the truth.'

It stated: 'Denial and cover up has been the only response from this government supported organisation. Therefore in order to finally bring resolution and redress to those who have had to suffer injustice by a corporate bully abusing its power, we have had to issue proceedings against it in the High Court.'

Alan Bates, the alliance founder, said: 'None of us would be involved if we didn't think we would win and we would not have secured legal support and finance if people didn't believe in it.'

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The Daily Mail revealed the scandal of computer faults being blamed for wrecking dozens of lives three years ago.

Branch 'losses' identified by the computer system led to sub-postmasters having to hand over thousands or tens of thousands of pounds. Others were ruthlessly prosecuted for false accounting or theft – with many feeling pressured into pleading guilty in a plea bargain deal to avoid jail.

Last April an independent report by forensic accountants Second Sight – hired by the Post Office to investigate the Horizon system – suggested discrepancies could have been caused by computer failures, cyber criminals or human error.

So far 125 persecuted former Post Office workers have teamed up to take legal action against the 'corporate bully' and many more are likely to join in the High Court (pictured) claim that could cost the company millions

It also accused the Post Office of failing 'in many cases' to identify the 'root causes of shortfalls' before starting civil or criminal proceedings.

The report said the Post Office failed to provide the accountancy firm with the documentation required and 'terminated' their contract before the research was finished.

Demands for a full judge-led inquiry followed, but with the Post Office refusing to accept wrong-doing sub-postmasters have now turned to the courts for justice.

Jo Hamilton, 58, ran the sub-post office in the Hampshire village of South Warnborough and was prosecuted over an alleged £36,000 shortfall. She always insisted she took no money but admitted a false accounting charged to avoid being jailed for theft.

Mrs Hamilton, who is one of the people involved in the High Court claim and CCRC review, said yesterday: 'I am absolutely positive we are going to win. We have so much evidence now that we didn't have when we first started fighting for justice. We've got masses of evidence and I think they're in big trouble.'

She described victims like herself as 'law-abiding middle aged people' whose lives have been unfairly ruined.

The Post Office has refused to accept blame. It has long said the number of complaints about the IT system was a 'tiny fraction' of the 500,000 people who used it effectively.

A Post Office spokeswoman said: 'We are aware of a claim and will be defending our position through the legal processes.'