



Rt Hon Jonathan Reynolds MP  
Secretary of State for Business and Trade  
Old Admiralty Building,  
Admiralty Place,  
London SW1A 2DY

By email only: **GRO** **GRO**

22 October 2024

Dear Secretary of State

Review of Post Office Network Transformation Scheme

I write as the Chief Executive Officer of the National Federation of SubPostmasters (NFSP).

As you are aware the NFSP is the representative body for self-employed Postmasters, frequently referred to as subpostmasters. The NFSP currently has 6,800 members, who operate 8,500 post offices.

On behalf of our members, I request your commitment to an early and thorough review of a number of important outstanding and ongoing injustices and concerns relating to the treatment of Postmasters. It is vital that these matters are reviewed and resolved now for reasons of public law fairness, to prevent the unfair treatment of Postmasters, and to ensure that the Post Office can go forward on a solid footing. Our three requests are:

1. A commitment to an early and thorough review of the implementation, conduct and consequences of the Network Transformation Scheme.
2. A review of the abatement scheme that operated from 1989 – 2001, under which 25% of a Postmaster's first year's remuneration was unfairly retained by Post Office, and reimbursement of that remuneration.
3. A review of the Post Office ECCO+ system, consistent with the recent Department of Business review of the Capture system.

One - Review of the implementation, conduct and consequences of the Network Transformation Scheme

Turning first to the Network Transformation Scheme, we seek, on behalf of our members an urgent and clear commitment to a full review of the implementation, conduct and consequences of the Network Transformation Scheme. This must include:

1. Formal confirmation that the full review we request in this letter is conducted and concluded before March 2025,
2. That the review will also consider compensation to subpostmasters who were forced to close their branches as a result of the Network Transformation scheme,
3. That the review will include the matters set out in the concluding section of this letter, entitled, "Request for an urgent review",
4. Review the actions by Post Office in relation to those postmasters classed as Hard to Place, and
5. That the March 2025 deadline (in relation to dates for closure for Hard to Place post offices) will be extended pending the outcome of the review, and,

#### Extant review

On 8 October 2024, Mr Nigel Railton (interim Chair of POL) gave evidence to the Post Office Horizon IT Inquiry confirming that POL is engaged in a strategic review, which he expects to report in three months. He said:

*And in doing a strategic review you look at all elements of the business and over the last months we've done that , and last week the Board signed off a plan for the future for the Post Office but more fundamentally, for postmasters, and we've passed that plan to the Government for review and approval.*

Mr Railton described the plan as a "new deal for postmasters".

We cannot see how POL's strategic plan, which Mr Railton states has been passed to Government, can be properly concluded or agreed to without addressing the outstanding concerns and injustices as set out above.

If, as POL's Chair says, there is to be a new deal for postmasters, then the review we seek is essential and urgent. We ask that you immediately commit to undertaking such a review. We also seek your assurance that you will support Postmasters in having a genuine role and voice in that review.

#### Background

The Network Transformation Scheme ("NTS") was a Post Office/Government scheme that ran from 2012 to 2018. It was introduced in November 2010 by then Secretary of State for Business, Innovation and Skills in his report, "Securing the Post Office Network in the Digital Age". The Key Government Commitments in that paper were:

- We recognise that the Post Office is more than a commercial entity and serves a distinct social purpose.
- We will ensure that post offices remain a valuable social and economic asset for our communities and businesses.
- There will be no programme of post office closures under this Government.
- The Post Office is not for sale.
- We will provide £1.34 billion for the Post Office to modernise the network and to safeguard its future, making it a stronger partner for Royal Mail.
- We want to see the Post Office become a genuine Front Office for Government at both the national and local level.
- We will support the expansion of accessible and affordable personal financial services available through the Post Office.

- We will support greater involvement of local authorities in planning and delivering local post office provision.
- We will create the opportunity for a mutually owned Post Office

In summary, and according to Government, the scheme was to be a significant restructuring initiative, in order to modernise and secure the sustainability of the Post Office network. The NTS was initiated, it was stated, in order to respond to declining usage of post offices due to digitalisation and competition from other services.

The NTS involved transitioning many traditional post offices into new models, such as "Post Office Locals" and "Post Office Mains," which it was said would offer more flexible operating conditions and longer opening hours.

The stated intention behind the NTS was to reduce costs for Post Office Ltd (POL) while improving customer access to services. Postmasters, who run the local branches, were given options to modernise their branches, relocate, or leave the network with a termination payment. However, the new models changed Postmaster's payment structure, to being paid per transaction rather than receiving a fixed salary.

Traditional post offices were converted to either Post Office Main or Post Office Local models. Main branches were described in the Parliamentary select committee report of 2012 as follows:

*'Mains'—the Network Transformation programme plans to update and, if necessary, move the location of some of the 4,000 larger non-Crown post offices, in partnership with those who own the businesses, into what will be called 'Main' post offices. 'Main' post offices will continue to offer the same range of existing services. These larger post offices are currently run by retailers such as WH Smith, the Co-op or Spar. In evidence, Post Office Ltd gave the following description of how 'Mains' will operate:*

*The number of customers means that there has to be specific space set aside in the store for Post Office activities. The main format allows the branch to make this space more open-plan, taking down some of the 'fortress' positions and ensuring the most efficient and cost effective fit into the store. It revitalises the store to make it more attractive to customers.*

The 'Local' model is described in the report as follows:

*'Locals'—the Network Transformation programme plans to transform post offices into what is called the 'Local' model, 2,000 of them by the end of the current Parliament. These conversions will be of smaller post offices, within retail shops: The format replaces the closed in 'fortress' post office position at the back of the retail store with an open plan position typically next to the retail tills at the front of the store. It allows the processes for the subpostmaster and staff to handle services as straightforward and quickly as possible to avoid queues. As a result, the format can release the space formerly taken up by the post office fortress which can be used to gain more retail sales space (with accompanying revenues). It also enables the subpostmaster to make the more effective use of their staff (they don't have someone sitting behind a screen isolated from the rest of the store—even if there are no post office customers). Integration into the store also means that the post office can be open the same hours as the rest of the store—in modern convenience stores this means early morning, evening and Sunday opening.*

A key change for Postmaster owners of the new models was that they were no longer paid a fixed salary, but were remunerated on a commission-only basis. It was anticipated that this arrangement would benefit subpostmasters because the restructuring of their branches, and the significant government investment in the new model would increase footfall therefore bringing more money into branches.

In May 2011, when launching the Network Transformation Scheme, Mr Edward Davey MP (Minister for Postal Affairs, Department for Business, Innovation and skills (May 2011) addressed the conference of the NFSP and set out his Department's vision. He stated:

*The vision. The vision is of an independent postal network, owned by subpostmasters, employees and its customers, a mutualised post office where the national company's more accountable and responsive to its local members and both are working for a shared strategy. Freed from always playing second fiddle to its big brother, Royal Mail, and owned by its network of independent businesses, the post office thrives. And it's a vision where local subpostmasters enjoy small annual dividend, as well as sharing in national income streams of the mutual company, especially from the award-winning website that at long last partnered with eBay in 2016. Where the most loyal customers are incentivised to shop at their local post office with the prospect of some return at the year end and in that vision the post office has successfully won new business from Government, both national and local, that has confirmed its long term future as the front office for government. By investing in new technology to process physical and electronic forms and to check people's identity for a range of third parties, post offices have found their niche in the digital age to complement the inevitable Government push to get things online and save money. In this future Central Government and local authorities have shut and cut back on distant call centres and form processing office blocks, by contracting out some of this work to subpostmasters across the country who are better able to offer much more personalised service. And in the most challenging part of this vision, many local post offices have successfully transformed their underlying economics by reducing fixed costs, integrating their postal services into ever more diverse retail offerings and focusing, even more than before, on the increasing demands of the customer.*

*Yet for such a vision to happen, post offices will have been helped, perhaps by every retail bank making its current accounts accessible over the network, perhaps by all credit unions becoming linked into the post office network, perhaps by many local public services from councils to the NHS and Police building the local post office network fully into their thinking and planning, and certainly by the Government remaining prepared to subsidize some of the rural and remote network because of its continuing belief in the post office's crucial social and economic role. [Our emphasis]*

And

*And the second reason I believe we can achieve our goals is because we have a realistic plan, the practical nuts and bolts, if you like, with the Postal Services Bill, the Locals policy and POL's positioning as front office for government*

And

*Now I've kept George in suspense for too long. What about those new Government services he keeps asking for that can make good on the new positioning of the post*

*office as the front office for government? You will know, George knows, that I'm not allowed or able to say there will be service X or contract Y for post offices. However much I may want to do that the law prevents me, the post office will have to win each contract by competitive tender. But it is my job, as Postal Service Minister to champion the Post Office across Government, to ensure the taxpayer gets value for money for the £1.34 billion we are investing. To explain to Whitehall departments that the Post Office of 2012, 2015 and 2020 is and will be evermore competitive in those tenders, and it is my job to suggest to Whitehall departments and local town halls that they should consider piloting new service ideas with the post office and I and my officials are doing just that tirelessly. I am tracking on a weekly basis, personally, every opportunity and every possibility for such pilots anywhere in Government. To say I am obsessive about this would be an understatement. So we have the first of three planned pilots with the DWP now underway in the North East of England, with 106 post offices representing a mix of Crowns, urban, urban deprived and rural, verifying the documents for pension applications. I hope that is the first of many such pilots and we hope that two other pilots to test national insurance applications and signing on in post offices in rural areas will start this summer and by the end of the year respectively. I'm delighted that the Post Office has been successful in its bid to win part of a service procured by the London Public Services Network, working with the DWP to enrol local authority employees into the existing DWP employee authentication service. This contract will start small, at around 200,000 employees in London boroughs, but it has a chance to grow and grow. And I have a list of ideas being considered so long it would even make George speechless. I just regret George, I can't tell you about them, yet.*

*But now, front office for government will not happen overnight, it's not guaranteed, we saw the disappointment of Green Giros. Whether it's print-on-demand pilots or persuading RBS to give their customers access to their accounts over the POL network, I can promise you this Coalition and this Minister will do whatever is legal, decent and honest to support the front office for government concept.*

As can be seen, the Minister could not have been clearer in his messaging to Postmasters; that the Government would increase the use of post offices to deliver Government services and that post offices would be "the front office for government"

As will be seen below, this promise of increased business derived from Government, was a key enticement, utilised by Post Office Ltd in persuading Postmasters to accept or move to the new models.

The promised new Government work never materialised. In fact, records will show that the value of Government work/services delivered through post offices fell from £576 million in 2005 to £30 million today.

Thus, rather than the increase in government services promised by the Minister at the launch of the Network Transformation Scheme, Postmasters have seen a 95% drop.

#### Postmaster Concerns

You may be aware that the NFSP has been raising, with Post Office Ltd and the Department of Business, the concerns of our members regarding the operation, implementation and impact of NTS including:

1. The Financial Impact on Subpostmasters: The new payment model, which switched from fixed payments to transaction-based remuneration, led to a significant reduction in income for many subpostmasters. This system was less predictable and stable, as income was tied directly to customer transactions. Crucially the impact of the reductions was felt most acutely in rural post offices.
2. Closure of Traditional Post Offices: The scheme led to the closure or relocation of many smaller traditional post offices, which were often replaced by Post Office Locals within other businesses, like convenience stores. These changes reduced the presence of standalone post offices, especially in rural and less commercially viable areas, affecting accessibility for vulnerable populations.
3. Operational Challenges/Reduced income: Subpostmasters running "Post Office Locals" faced operational challenges, including longer working hours and increased responsibilities, without the guaranteed financial returns of the old system. Post Office Locals, often embedded in convenience stores or other retail settings, were expected to stay open for extended hours, often without a corresponding increase in staff or pay. Paradoxically levels of pay for subpostmasters have reduced notwithstanding that they are required to work longer hours. Indeed, the Post Office Horizon IT Inquiry has heard evidence from senior POL executives (for example Chris Brocklesby, POL Chief Transformation Officer, on 2 October 2024) who confirmed before the Inquiry that large numbers of postmasters are remunerated below minimum wage levels.
4. Community Impact: The reduction in standalone post offices has had a broader community impact, particularly in rural areas where post offices will serve as a community hub. The changes also raised concerns about the continuity and quality of services provided in new, smaller models.
5. Closure and Relocation: Subpostmasters who could not sustain their businesses under the new model were offered the option to either relocate their office or leave the network. Some received compensation for closing their branches, but this has led to the loss of local services in many areas, especially rural communities.
6. Some branches, such as my own, have or are due to close because it has not been possible to find replacement Postmasters to take on a business which has been severely hampered by the Network Transformation programme. I refer you to paragraph 9 of my witness statement dated 4 September 2024 to the Post Office Horizon IT Inquiry, which states as follows:

*9. Sadly, due to the Network Transformation programme, which was established in 2012, we had to make the difficult decision in 2015 that we would not convert to the proposed Local model as it would not make financial sense. We have been part of what is known as the Hard to Place (HtP) since April 2018 as no Potential New Postmaster (PNP) has come forward to take on the post office. In February 2023, Post Office unilaterally changed the terms of the agreement in place since 2015 for 130 Postmasters and unless a PNP was in place by March 2025, these offices would be closed. The reason being is Post Office did not wish to go through the cost of installing the proposed Horizon replacement, known as NBit, and then to also take the HtP colleagues through the training process for it. Whilst initially a PNP came forward for our Post Office*

*before the March 2024 cut-off, they pulled out in April this year. As such our Post Office is due to close on the 11th of October this year without any provision, at the time of writing this witness statement, being in place for the local community. There are around 30 other Postmasters who are in the same situation. This decision of the Post Office Board will result in an average loss to each of these 30 Postmasters of around £43,000.*

The changes imposed under the Network Transformation Scheme, including the reductions in remuneration, and the failure of Government to maintain, let alone deliver increased Government services delivered via post offices, has had a very profound impact on the ability of Post Office Ltd and current Postmasters to find replacement postmasters.

As a result, a significant number of Postmasters, (often the longest serving) will lose their post offices, their income and investment, and will go forward into a difficult, if not impoverished retirement. There are some 130 post offices in Hard to Place category. 10 have closed and a further 30, including my own, are in the process of closing.

The disposal of long-serving postmasters cannot be right in circumstances where the Chair of Post Office has stated that it, along with Government, are to publish a new deal for postmasters”

#### Misrepresentation

The NFSP is deeply concerned that very many Postmasters were induced to accept new contracts on the basis of promised additional services, which did not materialise.

The NTS was delivered by Field Change Advisors, employed by Post Office Ltd. The NFSP has received hundreds of reports from its members that these Field Change Advisors induced Postmasters to move to the new style contracts on the basis of assurances of increased income, promise of increased services (including government services) that did not materialise.

As is seen above, the Minister was clear in his “vision” for the NTS that post offices would become the “the front office for government”, and that local and national government services would be delivered via post offices. Indeed, the Minister concluded his address to the NFSP in May 2011 stating:

*“the challenge we must face together is too daunting for anyone to mess about peddling false promises”*

Many of our members maintain that they were induced to switch to the NTS through misrepresentations in circumstances where they would have been better off signing a conditional resignation form, enabling them to leave the network with their leavers’ payment once they had found a replacement subpostmaster.

Furthermore, we understand that many of our members were not presented with any alternative other than to participate in the NTS or resign and accept a leavers’ payment. It appears that the scheme was not presented to the Parliamentary Select Committee in this way. These Postmasters were effectively unwillingly forced, by the Field Change Advisors, to accept new contracts .

We understand that the Field Change Advisors received a bonus for every post office they managed to convert. Yet those Advisors who were providing financial advice and were neither trained nor regulated in the provision of financial advice. Further, there is ample evidence from Postmasters that the Field Change Advisors employed coercion to force Postmasters to move to contracts that were not in their best interests.

You will be aware that statutory misrepresentation is covered by section 2(1) of the Misrepresentation Act 1967, which provides as follows:

## 2 Damages for misrepresentation.

*(1)Where a person has entered into a contract after a misrepresentation has been made to him by another party thereto and as a result thereof he has suffered loss, then, if the person making the misrepresentation would be liable to damages in respect thereof had the misrepresentation been made fraudulently, that person shall be so liable notwithstanding that the misrepresentation was not made fraudulently, unless he proves that he had reasonable ground to believe and did believe up to the time the contract was made the facts represented were true.*

We consider that there is ample evidence that many Postmasters were the victim of misrepresentation in the NTS process.

Postmasters forced to leave the network

For those Postmasters who did not want to change their contract, or who resisted pressure to change to one of the new operating models, provision was made in the form of an 18-month 'leavers payment'. In 2014 this payment was increased to 26 months due to the programme becoming compulsory.

However, each Postmaster had to decide by December 2015 as to whether they wished to convert to one of the new operating models or exit the network. Those who did not convert, were asked to sign a conditional resignation form, enabling them to leave the network with their leavers' payment once a new Postmaster was found.

Following the closure of the Network Transformation programme mentioned above, some of those wanting to leave the network were then classed as 'Hard to Place' (HtP) by Post Office.

POL offered 26 months compensation once a Potential New Postmaster was found, and the office converted to a new model type. Many of these HtP offices were kept open by postmasters who wanted to ensure postal and banking provision was kept available to their local community.

In 2023, POL, unilaterally, and without consultation, changed the terms of the agreement and amended their offer from 26 months compensation to 12 months, unless a new Potential New Postmaster was found by March 2024. PO has refused to enter into negotiations with the NFSP and refused to find a compromise solution. Many of these Hard to Place postmasters are beyond retirement age therefore have lost much, if not all, of their retirement resources.

In April 2018, there were approximately 700 postmasters who had not yet left the business, but for whom no provision had been made to find a replacement or to agree a leavers payment.

The NFSP would like assurance, that any review undertaken regarding the actions of PO includes findings on the number of those 700 who subsequently left the business without any leavers payment being made – and agreement is reached to ensure that those long serving Postmasters receive fair recompense.

At the end of the Network Transformation programme, Post Office redeployed or made redundant the Field Change Advisors, meaning there was no dedicated team within Post Office looking to find a replacement postmaster, effectively leaving this group of postmasters in limbo.

It cannot be right, or have been the intention of Parliament, that elderly, long serving subpostmasters (often in rural communities) should be treated in this way.

We call on you to commit to pausing HtP closures until a review is concluded, and to commit to restoring the 26-month leavers compensation for HtP Postmasters.

The current position

Post Office Ltd has written to the remaining Postmasters, who have not converted to a local or mains contract to inform them that the NT programme will cease in March 2025. These subpostmasters have been told that they are required to agree a 12-month payment, whereupon their branches will be closed.

Many subpostmasters, who are in this position are past the state retirement age and/or have underlying health issues. Yet they continue to keep their offices open, serving their community while waiting, in vain, for someone to take over the business, which has been blighted by the Horizon IT Scandal.

It is the case that Postmasters who did agree to convert under the NTS are now selling their post office businesses for the same, or less than that which they paid for the business 20 or 30 years ago. Major factors in the drop in the value of their businesses can be directly correlated to the 95% reduction in government business, reductions in remuneration and the reputational damages caused, not by our members, but by Post Office Ltd.

The NFSP has highlighted the unfairness in Post Office's actions and decision-making on numerous occasions.

You will be aware that the Government is the sole shareholder of Post Office Limited and has an active presence on the company's Board. The NFSP takes the view that the Department for Business and Trade must be aware of, and must have sanctioned these actions.

The NFSP believes that Post Office Limited's push to drive these Postmasters to close their branches is motivated by an unwillingness by the company to fund the transfer of Hard to Place subpostmasters (as detailed in the extract from my witness statement above) onto the new IT (NBit) computerised system, which will replace the much maligned Horizon system.

The NFSP believes that this decision is manifestly unreasonable. The conduct of Post Office Limited (as sanctioned by the UK Government) is likely to deprive a significant number of long-serving Postmasters of their livelihoods or proper and fair compensation for the forced closure of their post offices. This will leave many in dire financial hardship in their old age and will deprive communities of important services.

Again, this current ill treatment of postmasters conflicts directly with the proposed “new deal for postmasters”.

Requests within the urgent review - NTS

In all the circumstances, we write to request that your department takes the following actions:

- (1) Conducts a review of the implementation, conduct and consequences of the Network Transformation Scheme,
- (2) Provides an account of and reports on how government allocated or otherwise spent the stated investment in the NTS, including the £1.34 billion initial investment and the subsequent £640 million. We would ask that consideration is given to any scrutiny and report by the Audit Committee and National Audit Office during its lifetime.
- (3) Commits to provide compensation to those subpostmasters who are found in that review to have been induced to change their contracts to either local or main contracts as a consequence of misrepresentation, and who suffered losses in consequence,
- (4) Commits to review and report on how many postmasters, classed as Hard to Place, have left the network since 2018 without any leavers payment due to the business being closed without a replacement being in place; and make proposals as to how these postmasters will be compensated,
- (5) Review the actions by Post Office in relation to those Postmasters classed as Hard to Place,
- (6) Undertakes to review the remuneration of Postmasters with a view to taking steps to ensure greater profitability of those businesses which have suffered as a consequence of the failed NTS scheme,
- (7) Undertakes to ensure that no branches are closed pending the outcome of the review.

## Two – Review of abatement scheme

We call on you to agree to urgently review the conduct of Post Office in relation to deductions from the first year’s remuneration of new Postmasters, under their contract, during the period from 1989 – 2001. This deduction was often referred to as ‘abatement’.

By way of example, section 4 of the 1992 subpostmasters’ contract, provided:

### PAYMENT OF THE INTRODUCTORY FEE

*As from 1 April 1992, the arrangements for payment of the fee are as follows:-*

1. Establishment of new Sub-Post Offices

*Post Office Counters will collect from the initial Sub-Postmaster of a new Sub Post Office an introductory payment, the size of which will be set at the absolute discretion of Post Office Counters. This is currently fifteen months’ remuneration in England and Wales and nine months’ in Scotland and Northern Ireland. In addition, the remuneration of any incoming Sub-*

*Postmaster in an office transacting more than 125,050 units of business will be set for the first twelve months of the contract at 75% of the remuneration scale then in force. [Our emphasis]*

As can be seen, under this process, new Postmasters taking up their role not only had to pay a sizeable fee to Post Office, but also had 25% of their first year's remuneration deducted by Post Office. We consider that this deduction from remuneration was patently unfair.

Mr Justice Fraser considered the contractual fairness of the abatement scheme in *Bates & Ors v Post Office Ltd*. At paragraphs 77 - 78 of his judgment found:

*"77. Mr Bates had to have approval from the Post Office, and had to apply to become a SPM. He was sent the application pack by the Post Office on 6 January 1998, and this explains, in the language of the Post Office which I will quote, the nature of what Mr Savage had described in his accounts as "Post Office salary":*

*"The remuneration at the office is determined partly by an Assigned Office Payment (A.O.P) paid in twelve equal instalments and partly by a variable volume related Payment (called a Product Payment) which reflects the work transacted at an office in an accounting period. The Product Payment is also paid monthly and is calculated two months in arrears. By way of example, based on last year's traffic, the Product Payment would be £23,410.47 per annum which together with the Assigned Office Payment of £14,611.51 per annum equates to a total of £3,8021.98 per annum. However, in recognition of the opportunity to operate a Post Office on behalf of Post Office Counters Ltd, the remuneration paid for the first 12 month period will be 75 % of the payment as above. The remuneration covers any attendance during normal scheduled hours."*

*78. The Post Office did not therefore term it a salary, and it can be seen to have had two components, only one of which is related to volume of business. Also, the Post Office would only, for the first year, pay an incoming SPM 75% of what would ordinarily, otherwise be paid. The 25% deduction was not deferred or paid in other ways; it was simply the practice of the Post Office to deduct or keep that 25% in the first year. The rationale or economic justification for this is not entirely clear, but it was effectively a payment from the SPM to the Post Office (in Mr Bates' case, of approximately £9,500) to become a SPM. The ARS 44 below states it was to "reflect uncertainty and risk to" the Post Office. It is not entirely clear what that "uncertainty and risk" would be, but the money was deducted for the first year only."*

This deduction from postmaster remuneration was Post Office policy from 1989 until 1 April 2001.

As can be seen from the judgment of Fraser J, there was no clear *rationale or economic justification* for this deduction from remuneration. Postmasters were forced to accept this unfair contract term due to the huge disparity in the power relationship between Post Office and the individual postmaster. Not only did new subpostmasters have to pay a fee to Post Office of *fifteen months' remuneration* simply to take up their position, they then had 25% of their first year's remuneration deducted without *rationale or economic justification*. It was plainly wrong of Post Office to make this deduction from remuneration.

We ask that you commit to reviewing this issue urgently.

However, we consider that this issue is so demonstrably unfair, that it is capable of immediate resolution by way of the Secretary of State for Business and Trade directing that Post Office Ltd repay the deducted remuneration to subpostmasters or their estates, and for your department to fund this remediation.

### Three - Review of the Post Office ECCO and ECCO+ systems

Finally, we ask that you commit to a review of the Post Office's ECCO and ECCO+ computer systems, consistent with the recent Department of Business review of the Capture system.

The ECCO and ECCO+ systems were systems mainly used in Crown Offices, as such Post Office will have greater access and control of information on these systems and their operation.

You will be aware that IT specialists, Kroll, interviewed Postmasters, current and former Post Office staff, and analysed data concerning Capture, computer software rolled out to post office branches in the 1990s. Their report concluded there is a "reasonable likelihood" subpostmasters suffered shortfalls as a result of bugs and glitches in the Capture system.

We have received evidence from Postmasters who advise that ECCO and ECCO+ were flawed and used by Post Office to their detriment and that this must be investigated consistent with your Department's approach to Capture.

Subpostmasters have advised us that, as ECCO and ECCO+ was used in Crown Offices (controlled directly by Post Office) that there were fewer prosecutions, based on ECCO and ECCO+ evidence of shortfalls, but instead subpostmasters were either dismissed or forced to resign, leading to severe financial consequences.

A further concern is that in particular (but not limited to) the 1980's and 90's, branches using ECCO+ were being sold off to staff with those purchasing such branches facing serious financial losses because of the failings in ECCO+.

Given that Post Office and your Department have agreed/acquiesced to investigations into the Horizon System and Capture, it is incumbent upon you to agree to a review of ECCO+ also. We ask that you agree to do so.

### Conclusion

I would remind you that the Post Office is a vital national public institution and that it is entrusted to deliver a public service. We hope that you will accept, in light of the Post Office Horizon Scandal, that it is neither acceptable nor possible for Post Office and the Government to develop and settle a "new deal for postmasters", without resolving all outstanding injustices and unfair practices. Therefore, and for the outline reasons given above, we ask you to commit to the three reviews:

1. A commitment to an early and thorough review of the implementation, conduct and consequences of the Network Transformation Scheme.
2. A review of the abatement scheme that operated from 1986 – 2001, under which 25% of SPM's first year's remuneration was unfairly retained by Post Office, and reimbursement of that remuneration.

3. A review of the Post Office ECCO+ system, consistent with the recent Department of Business review of the Capture system.

#### Independence of Reviews

The Post Office Horizon IT Inquiry has heard extensive evidence of the conduct of Post Office Ltd in the Complaints & Mediation scheme between 2012 - 2015, and Post Office Ltd's conduct in the Bates & Ors v Post Office litigation. Post Office Ltd cannot be trusted by Postmasters, nor indeed your Department to oversee any review of its conduct and actions.

We therefore ask that the review we seek is not undertaken internally but conducted independent of Post Office Ltd.

#### Subpostmaster representation

Finally and vitally, we ask for your commitment that in the review we seek, our Postmaster members will not be mere bystanders, but have a full role and voice, and that your department will provided the means necessary for the NFSP to represent the interests of its members.

This would necessarily involve a commitment to meet the reasonable costs of NFSP engaging a legal team to ensure that the rights and interests of its members are put forward appropriately and to provide advice in relation to any proposed recommendations.

You will be aware that issue of 'equality of arms' in dealings between POL an DBT in recent years have been very significant. We, and we trust that you, would wish to ensure that our members are not disadvantaged in relation to the conduct of the proposed reviews. We would also wish to engage lawyers to assist in the consultation processes that the reviews that we seek would require.

We would be happy to meet with you at short notice to discuss these matters. However, given the urgency and importance, the impact to Postmasters across the UK, and the national impact of the loss of vital post offices in rural and disadvantaged communities, we must ask for your formal response to our requests within 28 days (date 28 days from letter sent).

In the absence of a substantive response, or the receipt of a negative response, the NFSP will seek legal advice on potential legal remedies before the courts.

I look forward to hearing from you at your earliest convenience.

Yours sincerely

Calum Greenhow, CEO