



HOUSE OF COMMONS

Business and Trade Committee

Oral evidence: Post Office Horizon scandal: fast and fair redress, HC 341

Tuesday 19 November 2024

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Members present: Liam Byrne (Chair); Antonia Bance; John Cooper; Sarah Edwards; Alison Griffiths; Sonia Kumar; Gregor Poynton; Matt Western; Rosie Wrighting.

Questions 228-263

Witnesses

[III](#): Nigel Railton, Interim Chair, Post Office; Simon Recaldin, Remediations Unit Director, Post Office.



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Examination of witnesses

Witnesses: Nigel Railton and Simon Recaldin gave evidence.

Q228 **Chair:** Welcome to the third panel of today's Select Committee hearing on fair and fast redress for the sub-postmasters. I am grateful to you, Mr Railton, for joining us and to you, Mr Recaldin, for coming back. Mr Railton, perhaps I could start with the basic, simple question we all want the answer to: are the redress schemes working fast enough, or do they need to go faster still?

Nigel Railton: I think they need to go faster.

Q229 **Chair:** You have come in as a new chair, and you have a great background in some great businesses. As you came in and had a look at the schemes, what were your observations about the things that were going wrong?

Nigel Railton: I joined officially on 24 May, so I have had a few months to consider this. My walking-in hypothesis remains the same now: that the Post Office should not be dealing with redress—not for a minute.

Q230 **Chair:** Is that still your view?

Nigel Railton: Yes, very much so. However, we have to be pragmatic and, as the Minister said earlier, we have to be pragmatic because we do not want to slow things down. The way I have been thinking about this is that there are two dimensions to the redress schemes: there is volume and there is complexity. To be pragmatic, it is probably best that the Post Office keeps the volume, but not those things that are complex—in other words, for example, the £75,000 cases, where the decision to pay is relatively straightforward—and the complex cases should all be with DBT. That is a long-winded way of saying that, in an ideal world, they would all be with DBT, but to be pragmatic, let us think about dividing the cases along those two dimensions: low complexity, high volume with the Post Office, and high complexity, lower volume with DBT.

Q231 **Chair:** Who should decide what is simple and what is complex?

Nigel Railton: I think the facts should decide for themselves. If you look at the schemes—Simon can perhaps offer some more details—the £75,000 fixed offer is relatively straightforward because, as I understand it, we need to find one shortfall and then, based on that, we will generate a cheque for £75,000. That is a process that I think we can automate—Simon and I talked about this—and make it very quick and simple. It does not need a lot of judgment, because the rules are very clear. If we can do that and focus on those low-complexity, high-volume cases, we could clear quite a lot out from the Post Office and, given that DBT is the ultimate decision maker, it is better placed to deal with the complex issues.

Q232 **Chair:** Do you have enough data to estimate how you would break down the 1,762 claims that have been received? Only about 13% of those have been paid—these are the late claims. What is your guesstimate as to what fraction of those claims are simple and what fraction are complex?



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Nigel Railton: I do not know. I will defer to Simon, perhaps. Could you answer that, Simon?

Simon Recaldin: I think you could say that the vast majority would be simple. Given the £75,000 opportunity, our modelling is predicting a certain level of claims under £75,000, and we are deeming any claim over £75,000 to be more complex.

Q233 **Chair:** When we say overwhelming majority, is that 60%, 70%, 80% or 90%?

Nigel Railton: I think the rule of thumb is 80%, isn't it?

Simon Recaldin: The modelling is saying between 80% and 85%, but we don't know, Chair, to be absolutely clear—of course we don't know. That is what the modelling is. This is built on facts: the average payout settlement in the HSS is £47,000, so if you compare that with a £75,000 automated, quick process, you would see an incentive for the £75,000 to be accepted. Therefore some of that modelling is based on projecting that fact out. I can give you some more figures around that if you so wish.

Q234 **Chair:** Mr Railton, presumably you have now had time to present this idea to Ministers.

Nigel Railton: I have had discussions with Ministers, yes.

Chair: What have they said?

Nigel Railton: We are in discussions.

Q235 **Chair:** So there has been no conclusion or decision about the Railton plan from Ministers yet.

Nigel Railton: No conclusion as yet, but conversations continue. In the meantime, we are working out, from the Post Office perspective, how to automate the process, regardless of what moves. The thinking on that is well progressed. We are thinking about who we would use to help us to automate the whole process, end to end. Basically, if a letter or claim comes in with a shortfall, we can automate it. Quite frankly, we are working on a database from 2014 backwards, so somebody should be able to write database queries for this—we don't need people looking for this. In my mind, that is quite straightforward.

Q236 **Chair:** In your discussion with Ministers, what are the stumbling blocks? I would have thought Ministers would just embrace this with open arms.

Nigel Railton: I think it is the balance between change and speed. Nobody wants to slow anything down. Everyone wants to speed up where possible. Let me be clear: with the process of automating the £75,000, nobody is slowing us down on that. We are going to do that ourselves. I think a line needs to be drawn on the balance of complexity and volume. Those are the key dimensions, and I don't think the Post Office should be dealing with anything that is complex.

Q237 **Chair:** The number of late claims that have been received, and the



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number of those that have been paid—80%—would imply that you could pay out to over 1,200 cases pretty quickly.

Nigel Railton: Yes, absolutely. Moreover, we are expecting thousands of claims very soon. So we have to set ourselves up for success and automate the process as best we can.

Q238 **Antonia Bance:** How much has been spent to administer the schemes and on external lawyers?

Nigel Railton: I don't know. I will have to defer to Simon.

Simon Recaldin: You have the figures from the legal teams on how much was spent on the scheme. It is all ringfenced funding directly from Government. It does not impact on redress. There is a figure of about £160 million or £170 million in terms of HSF's costs.

Chair: Sorry—can you say that again, slightly slower?

Simon Recaldin: Apologies. To remind the Committee, Herbert Smith Freehills run the back office for HSS out of Northern Ireland, and their costs are about £178 million, which I think includes all that as well. They are running the back office, and they are providing legal advice on other cases.

Chair: One hundred and seventy-eight million!

Simon Recaldin: It is equivalent to the numbers that you mentioned earlier—the £50 million plus the £110 million. I think those numbers might be slightly dated, which is why I am saying £178 million.

Chair: It is not often we have jaws dropped on this Committee, but £178 million to Herbert Smith Freehills—

Simon Recaldin: It is a lot of money.

Chair: It is a jaw-dropping number.

Simon Recaldin: Can I give some balance to that? Just talking about HSS, when I sat here in February, I reported to the Committee that at that point we had paid out £107 million of redress. The total across all the schemes was £145 million. That was on 1 March or at the end of February. I am pleased to say that we are now in a position where we have accelerated quite considerably. We are now looking at £230 million on HSS and £290 million overall. We have doubled since I sat here last time.

Now, that is not good enough. Let me get this in, and this is not meant to be defensive in any way. What I am trying to demonstrate is what I tried to do at the inquiry, which is to talk about acceleration. If you break that down on a monthly basis, earlier in the year, between May and August, we paid out £5.6 million a month. We are now paying out £45 million a month in redress. The trajectory that we are on, which was the Chair's point earlier, is that we are going to start paying out £68 million a month between now and the end of March. There is a caveat in that. We will be at £340 million by the end of March in terms of redress payout. Now, there is



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a caveat here: we have got to get the traction from the postmasters to get those offers back.

Q239 **Chair:** We need to be really clear about this. Is that £340 million on HSS? Is that correct?

Simon Recaldin: Correct.

Chair: The legal cost associated with that £340 million is already £178 million.

Simon Recaldin: Apologies. I was looking at my differences. The total for HSS by the end of March, on this trajectory, is £570 million.

Chair: Sorry, bear with us while we absolutely clarify this. You think that there will be £570 million paid out through the HSS?

Simon Recaldin: Let me make this clear. We have capacity to pay out £570 million, because we are busy reaching out to postmasters and saying, "If you have not applied, here is your opportunity." By the end of this week we will have sent out 16,000 of those applications. "If you have not applied for HSS, please fill in the simplified form." Chair, you may remember that last time you were here you challenged me, quite rightly, on the complexity of the forms. We have completely rewritten the form, and it is all on the internet so that people can apply online if they wish. They can apply in the simplified form if they are just going to claim the £75,000.

Q240 **Chair:** But the legal cost is about a third of the redress bill—£178 million over £570 million is about 32%. Is that correct, or am I off?

Simon Recaldin: Don't forget that the legal bill is completely ringfenced from redress.

Chair: It is not ringfenced from taxpayers. Taxpayers are still footing the bill. But have I got that broadly right, that it is about a third of the money?

Simon Recaldin: So far.

Q241 **Antonia Bance:** We heard from claimants in a previous session a couple of weeks ago about concerns around the direction given to the lawyers on benefit of the doubt, overly forensic questioning and bargaining down of offers. Do you think you need to provide stronger direction to your lawyers, to whom you are paying a lot of money, to ensure that sub-postmasters are given the redress they are entitled to?

Simon Recaldin: Of course I do. In terms of the RFI question, I take a slightly different view having been very close to a lot of these cases. The information we get is dated—for instance, who has a bank statement from 20 years ago and so on? I understand the challenges there, but I am very close to a lot of cases and the RFI process is genuinely trying to up the fairness of the offer. It is not trying to bring it down or challenge it. It is trying to bring it up by saying, "I think there is an opportunity here. If you were to provide a little more information on this, this and this, we might be able to be more fair." That is what I have seen, and I am very close to



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a lot of these cases. I get the challenge, and I get the optics of getting back an RFI that says, "You need to explain this more. I need a forensic report on this and a medical report." I do understand what that looks like, but it is well meaning in trying to get fairer offers out. Is that okay?

Q242 **Antonia Bance:** I think we are back to the point about whether the Post Office should be involved in the handling of redress, aren't we?

Simon Recaldin: And I am more than happy to talk about that.

Antonia Bance: I understand that you make your assurances, I am sure, in good faith, but given the history I can understand some of the distrust that may be there.

Simon Recaldin: And with integrity.

Q243 **Chair:** Can I underline this? Do you think that the legal costs need driving down further? We just heard from Herbert Smith Freehills that they think £12,000 a case to settle is an acceptable number. Most of us would, frankly, think that they are on a different planet.

Simon Recaldin: Yes, they are too expensive. Yes, they need to be driven down, and yes, they have been driven down. Yes, things can always be quicker and better. I am genuinely not being defensive. There were considerable set-up costs, not just on the HSS but on the overturned convictions scheme too. The costs were considerable. I said this in the inquiry, which I am sure you heard, but this is the biggest miscarriage ever. There is no brochure on the shelf that you can pull off and say, "Ah, let's see how we do that. Let's see how we design a process to deal with the biggest miscarriage of justice ever." This is tricky stuff, and it is really important. Do you get the right people on it to fix it? Of course you do, and you create a process. It is time-consuming and deeply frustrating and, yes, I am afraid that it is quite expensive.

Q244 **Alison Griffiths:** Mr Recaldin, on the communication point, do you think it was made clear to sub-postmasters when they were sent RFIs that the intent was beneficial? We have had a lot of feedback about the concern when they were sent the RFIs.

Simon Recaldin: I think that is a really good challenge. I do not think it was clear enough.

Q245 **Alison Griffiths:** Have you made changes to the processes now?

Simon Recaldin: You heard Carl Creswell from the DBT articulating my commitment to speak to the lawyers, which I have done, to say, "You need to be more postmaster-centric here, in terms of your correspondence." I have delivered that message a number of times.

Q246 **Alison Griffiths:** The HSS is the only scheme that does not pay legal representation up front. Why?

Simon Recaldin: As was articulated by Herbert Smith, initially when a GLO case was settled, the requirement from Mr Bates and others was that part of that settlement agreement was to set up the HSS for people who



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had not been convicted, who had suffered from shortfalls and suffered dreadful stories.

Bluntly, the GLO population had been legally burned by the whole process. It wasn't a great process—it was far too legalese—so one of their requirements and one of their encouragements was to say, "Set up a legally light process for other victims of this horrendous scandal," which is what happened. In hindsight, you look back on that and say, "Was that the right thing?" Legal advice is available, to be absolutely clear, once victims have received their offer, but only at that point. You are quite right that there is no legal advice for the application when they are applying for it, but it is available as soon as they have got the offer.

Q247 Alison Griffiths: Is that something that you would be keen to change?

Simon Recaldin: I have put it in writing to whoever wants to see it, and it was raised at the inquiry. That is something I fully support. In terms of the £75,000 offer, the Post Office has made it very clear to Government that we believe the up-front legal advice should be made available for people's applications.

Q248 Alison Griffiths: We were told at our last session that the HSS was designed to wear people down with the number of questions and the amount of detail that claimants were expected to provide. Do you think that you are giving sub-postmasters the benefit of the doubt when it comes to evidencing their claims?

Simon Recaldin: I don't think; I know.

Q249 Alison Griffiths: How would you find out? I accept that you don't know, but if you had to answer the question, how would you go and find out whether you were giving them the benefit of the doubt?

Simon Recaldin: I do know, because I understand the process intimately. The process is that the evidence goes to the independent panel, which is nothing to do with Post Office. An eminent KC chairs that, and has a retail expert and an accountancy expert there. They make an independent decision based on the application. Once they have made that decision on heads of loss, they then step back and do a fairness test and a consistency test: "This result that we have here—is it consistent with other ones, and is it fair for that case?" When they review that evidence, they absolutely give the benefit of the doubt to the testimony. As I said to some restorative justice ladies this morning, the testimony that people give is evidence. The panel take that as the journey—as the story. Do they give the benefit of doubt on that? Absolutely.

Chair: I am going to speed up, because we have votes coming shortly. I call Sarah Edwards, very briefly.

Q250 Sarah Edwards: I just want to clarify the point about how when they submit, they do not get legal advice, but then after that point they are able to get it. Do you know how many people were made aware of that, or how they were made aware of it? I think we heard in a previous session that a very small number of people took that up. My question is



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whether there is a correlation between people not picking that up and their not knowing that they could get legal advice. Did they know?

Simon Recaldin: Yes. The offer is absolutely crystal clear—I am happy to share the offer letter—that they have access to reasonable legal fees. It used to be restricted to a certain amount; when I was last here, there was a debate around that. That restriction came off in October 2022 and now it is reasonable legal fees. It is on the website, and it is very much in the offer letter as well.

Q251 **Matt Western:** I just want to go back through the numbers. The figures you mentioned, Mr Recaldin, added up to something like £550 million by the end of March. We are talking about 1,100 cases. Is that right? Did I get that figure correct?

Chair: It could be that 1,100 cases can be processed quickly. Those are the late claims that are already in the system, and I think you are expecting to receive more.

Nigel Railton: I think what Simon was talking about was thousands of claims that we are anticipating. Simon has just mentioned that we have written out to 16,000. We don't quite know how many of those will reply. The more, the better.

Chair: You have written to 16,000.

Nigel Railton: Yes, that's right. We are expecting huge volumes that we are going to be ready to process quickly.

Q252 **Matt Western:** At the last session, Dr Hudgell gave some evidence that suggested that there seems to be an extraordinary ratio between the original offer and what might ultimately be paid. In one case it was £4,000, which went up to £133,000. Why are the first offers so ridiculously low? Surely there must be some sensible, obvious, pragmatic process to establish what kind of figure they should be paid in the first instance.

Simon Recaldin: Of course, it depends on the claim itself. The YouGov survey was an excellent exposure of this. There is a direct correlation—I do not fight shy of it at all—between people taking legal advice at the offer stage and their offer improving significantly. Why more people do not take up the opportunity of legal advice is a great question. I genuinely don't know. On Ms Edwards's point, it is absolutely there and available, but there is—this was said at the inquiry—a direct correlation between people taking legal advice once they have had their offer, and getting a better payment after rejecting the offer. There is an issue with the number of people taking up that legal advice: under 10% actually take it up.

I said this to the inquiry too: I grapple with this a little bit—no, I grapple with it a lot. 83% of people who get their offer, whether they are legally advised or not—most are not—accept it. I have a background in remediation schemes outside the Government and outside the Post Office, and that is extraordinary.



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Q253 **Chair:** But it is further evidence, is it not, that the legal advice ought to be available up front?

Simon Recaldin: If you look at the numbers and the ultimate redress that is paid out, you are absolutely right, Chair.

Q254 **Sarah Edwards:** Can you say a little about the average timeframe in the HSS for somebody receiving their first offer?

Simon Recaldin: Too long. I will be absolutely up front about that. Now, the £75,000 offer—I appreciate that others have talked a lot about that—will be absolutely automated, as the chair says, and will be a very quick process.

We do depend on the postmasters and postmistresses getting back to us. There is a dependency there, and people's behaviour is always surprising to me, in my experience in this space. But as soon as that offer comes back, they will get their payment of £75,000 within 10 working days. That doesn't quite answer your question, because it depends on the time in getting back. This week, 16,000 will get letters. They are not offers; they say, "You haven't applied to the HSS. Would you like to? By the way, here's a shorter form for the £75,000 process." Once that form comes back, we send out the offer. As soon as we get the offer back, it is 10 days.

Nigel Railton: And that is 10 days at the moment, Simon, before we fully automate everything.

Simon Recaldin: Yes, that is what we are doing at the moment. With lower volumes than we were anticipating, we are paying out well within 10 days. The challenge the chairman is always giving me is "Right: if you can pay out in five days, you should pay everything out in five days." That is the challenge that I am getting from my left.

Q255 **Sarah Edwards:** Following on from that, given that there is a reassessment panel and mediation, is there any particular reason why we are seeing cases go to the reassessment panel, which is very overstretched—there is a time constraint there—rather than proceed with mediation? Is there any decision making around that? Do you have any comments on that?

Simon Recaldin: I have plenty of comments. I think the process is cumbersome and too slow. We call that the reflow back into the panel to give another view: it has been appealed, we gather more information, we reassess it and pass it back to the panel. We have a commitment that the number of panels will be increased on a weekly basis, so that gives us a bit more bandwidth.

We are also now working closely with the legal advisers to say, "Actually, would you prefer mediation to going back to the panel? What would be your client's preference?" That is when I get personally involved on the mediation side.

Q256 **Rosie Wrighting:** We have touched on this, but to sum up, sub-



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postmasters do not trust the Post Office. Should you be administering Horizon-related schemes?

Nigel Railton: No.

Simon Recaldin: No.

Q257 **Rosie Wrighting:** If DBT does take on HSS, what will you do to make sure the scheme runs better?

Nigel Railton: That goes back to our automation point. Given the new rules, we believe we can fully automate it. That is something that we are actively working on now. The target set to Simon and the team is that we build the automation within the next few weeks. We hope to get lots of claims through from the mail-out that Simon has just done, and we will process them all in the new year as quickly as possible. I can assure you that everything we do, we do quickly and properly. We will be pushing the team to get them done as quickly as possible.

To go back to your question about moving the scheme to DBT, hopefully we will be able to move something over to DBT that works and is pretty much fully automated. That would be our ambition.

Q258 **Chair:** Thank you very much for this evidence. It has been very useful.

Mr Railton, I will move on very briefly to the transformation plan that you recently published. How much will it cost?

Nigel Railton: It varies, but about £1.2 billion. That includes the cost of the Horizon—well, we are not calling it the Horizon placement—the new Post Office system that we are currently scoping to build.

Q259 **Chair:** It didn't sound as if the Minister had got that money signed off by the Treasury. Is that your understanding?

Nigel Railton: That is correct.

Q260 **Chair:** If you do not get that money agreed, will you stay?

Nigel Railton: It is not about me.

Chair: But the question is: will you stay if you do not get that money?

Nigel Railton: I was brought in—I was asked to join—to make a difference. I think I am making a difference. I hope I am, and I want to continue to do so, because this is really important. If we do not get the money, I will have to think about that.

Q261 **Chair:** You will have seen Project Phoenix in the news. I think the news reporting was that the cost of the Post Office investigating sub-postmaster complaints against investigators was about £880,000. Was that £880,000 a good use of Post Office money?

Nigel Railton: I don't have the details, but that is an awful amount of money to spend on an investigation.

Chair: So it doesn't sound like it was a good use of money to you.



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Nigel Railton: It doesn't sound like it, no.

Q262 **Chair:** Do you think that you are still employing people who investigated sub-postmasters?

Nigel Railton: There are people in the business. There are about 4,000 employees, so I don't know everybody in particular, but I know there are still people—

Chair: These people are important.

Nigel Railton: They are, but there are still people employed by the Post Office who did investigate people as part of Phoenix. What I can say is that they are not actively involved in anything at the moment.

Q263 **Chair:** An issue that we have explored with the previous chief executive, Mr Read, and with the former chairman is the toxic culture at the Post Office, as they described it. Do you think that if you continue to employ such people as these investigators, you can drive through the cultural change that you think is needed?

Nigel Railton: The two things are linked but slightly separate. Do I think these investigators should be employed by the Post Office? No. Am I doing something about it? Yes.

On the broader question, it is difficult to change the culture while we have this historic baggage, if you like, but we are changing the culture actively now. I will give you a live example. Last week, on Wednesday, you may have seen that I announced the new deal for postmasters, the headline of which is £250 million more for postmasters by 2030 and £120 million next year. I announced that at 9 o'clock, and at 9.30 am we started consultation with the senior leadership team to halve the size of the team. So we are taking decisive action, and by doing that we will change the culture.

Chair: Thank you. Votes are almost upon us, so I am afraid we will have to draw this panel to a conclusion.

The Committee is grateful to both of you, both for the work that you are doing and for the candour and clarity of your evidence this afternoon. That will help us with the task of drawing up recommendations for the Government.