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Post Office: Horizon Accounting System

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Question for Short Debate

 4.30pm

Asked by

Lord Berkeley >

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To ask Her Majesty's Government what steps they intend to take in response to the judgment in *Bates v Post Office* [2019] EWHC 3408; and whether they intend to take any action against the directors responsible for the Horizon Accounting System.

Lord Berkeley >

(Lab)

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My Lords, I am pleased to have secured this debate. It comes only a couple of weeks after a very useful Starred Question from the noble Lord, Lord Arbuthnot, who has been working on this campaign for years. Good luck to him. I also pay tribute to the journalist Nick Wallis and *Private Eye*, who have been keeping this issue going. It is a 10-year campaign for justice by hundreds of sub-postmasters who have been really badly treated by the Post Office.

I will concentrate on how those who have suffered will be compensated and what action, if any, will be taken against the perpetrators. Noble Lords will know that the number of personal tragedies has grown over the years. I will quote just one about Mr Gary Brown from Rawcliffe in Yorkshire, who produced a very long and sad description of what happened. After several years of the Horizon system charging him for what he did not owe, he ended up with a till £32,000 short, which, for a small trader, is appalling. The computer said that he was short, so what did he do? He called the auditors. The Post Office interviewed him and searched his house. In the end, he had to sell his house and he was desolate, all because Royal Mail refused to believe that its Horizon system was faulty.

Luckily, Mr Brown and others suddenly discovered they were not alone. He was among hundreds of sub-postmasters from the 11,000-odd branches who were suffering from these accounting discrepancies. Many complained that they were not to blame and that the Horizon system was at fault. Many were accused of stealing money. That is a really serious accusation for a small business. Some had to pay the Post Office tens of thousands of pounds and many lost their businesses, but they formed this group of 500-odd sub-postmasters to take forward a campaign, which culminated in a judgment last December, which we have talked about before but we need to talk about again.

The judgment is against the Post Office and has some pretty horrible comments about Fujitsu. Mr Justice Fraser saved some of his harshest words for Fujitsu, which runs Horizon. To quote *Private Eye*, he found that

“on too many occasions’ Fujitsu personnel knowingly entered incorrect codes when closing enquiries, blaming ‘user error’ when they had already concluded this wasn’t the case.”

That is a criminal thing to do to these small businesses.

It is worth quoting some of Mr Justice Fraser's judgment. He said:

"The approach by the Post Office to the evidence of someone such as Mr Latif demonstrates a simple institutional obstinacy or refusal to consider any possible alternatives to their view of Horizon, which was maintained regardless of the weight of factual evidence to the contrary."

This went on for a year, when the Post Office tried to get Mr Justice Fraser removed because he did not agree with it—it is wonderful to get rid of a judge if you do not like him. He concluded:

"This approach by the Post Office has amounted, in reality, to bare assertions and denials that ignore what has actually occurred ... It amounts to the 21st century equivalent of maintaining that the earth is flat."

That is a pretty strong judgment. After many attempts, the Post Office finally had to give up and accept that this was the answer.

So who is to blame, and what next? The Post Office is managed by BEIS, and one has to ask who was on watch over these 10 years. We started off with the noble Lord, Lord Mandelson, and then it was Vince Cable, then Sajid Javid and of course there were many junior Ministers—I will not read out a long list of them. But what did they do about their company on our behalf, which was abusing its position and defrauding perhaps 10,000 postmasters of their health and livelihood?

I have not found any serious apologies for this yet. When we discussed this in a Starred Question on 4 February, the noble Lord, Lord Duncan, apologised and the noble Baroness, Lady Neville-Rolfe, also mentioned that she had been a Minister. They were genuine, but who was running the Post Office then? It was Adam Crozier from 2003 to 2010. Moya Greene took over and split the Post Office and the Royal Mail and then Paula Vennells was in charge from 2012 to 2019. She was quoted in some of the Government's public relations papers as the chief executive who took the Post Office from a £120 million loss to breaking even. According to the *Daily Mail*, she was paid £3.7 million in six years. But, more importantly, she was presiding over a company that tried every means at its disposal to deny, obfuscate and challenge in court any attempt by the sub-postmasters to get an independent inquiry into the failures of the IT system and compensation, which is pretty rich. Of course, as ever, because she then left, she has been promoted to run something in the health service.

The judge found against the Post Office on all counts and awarded the postmasters £58 million, but it was quite clear that most of that will go on legal costs. How can you achieve £58 million in legal costs? Of course you had a Post Office that kept on challenging things. Fujitsu also behaved in a manner that might be seen to be criminal or dishonest—I do not know—but it is a question that needs to be answered. Maybe there should be an independent public inquiry. That is the only answer.

So what will the Government do to provide some proper compensation to the victims of the failure—it may be fraud and greed—of the company that we as taxpayers are supposed to own? It is easier to spin out legal processes for years and avoid blaming anyone in the Post Office, officials, Ministers and so forth, but should there be a public inquiry? Should there be action against Fujitsu over Horizon? I do not know. But the postmasters, who reasonably believed that the Government and their company—our company—would behave in an open, honest and transparent way, have been very badly let down. They deserve urgent and generous compensation.

I welcome the helpful remarks of the noble Lord, Lord Duncan, the other day as far as they went, and I hope that our new Minister will be equally helpful and supportive of an urgent resolution. But there is also a need for the Government and Parliament to review how senior people, who clearly failed and brought their companies into disrepute, are moved and promoted, while those whom they destroyed are left to suffer with nowhere to go.

I have one last thought. Ten years ago, the Royal Mail included the Post Office, which now issues stamps with the Queen's head on them, so one might expect the Queen and other members of the Royal Family to feel some attachment to the Post Office. As noble Lords know, I have had some questions about royal and Duchy finances, but I have never had cause to question their business ethics or employment practices—and I would not. But we can be sure that they would never stoop to such appalling treatment of their lowest paid staff as forcing them into penury or worse as their Government have done. This should have been the approach of Ministers and directors of the Post Office. They failed miserably and we must make amends. The Government must make amends and compensate all those affected.

Baroness Redfern >

(Con)

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My Lords, I thank the noble Lord, Lord Berkeley, for tabling this important debate to highlight the long campaign that has gone on and the response to the out-of-court settlement heard on 11 December last year. Following that announcement, I will speak about the dark intervening years since the first legal action in 2015.


It is a settlement, yes, but at what cost? What kind of settlement is it for each of those claimants who previously spoke out, alleging that the Horizon system caused shortfalls in their financial accounting? They were not believed but, on the contrary, given an assurance of the system's reliability. The inevitable consequently happened, resulting in some postmasters and postmistresses being made bankrupt, while others were prosecuted and even jailed for offences including false accounting, fraud and theft. Let us not forget those sub-postmasters and sub-postmistresses who paid back the money that the Post Office claimed they had stolen and were told they would face possible criminal prosecution if they did not.

On a personal level, you can hardly imagine that during those intervening years the postmasters and postmistresses continued to deal over the counter with face-to-face questions from their customers, colleagues and friends. It must have been even harder when they were asked the inevitable question on meeting them in the street. They felt their reputation and integrity was called into question; they felt humiliated.

Postmasters and postmistresses work hard. They are not only valued but the eyes and ears for many in their local community. The settlement allows them to carry on where they left off and perform their excellent services, interacting once more with their customers—as they have done for many years on a trusted contractual basis—and, importantly, offering advice and guidance to customers. They are a lifeline for many, particularly the elderly, who use their valued banking services and other postal facilities. Yes they have had their reputations restored at last—they can walk tall with their heads held high—but at what lingering personal cost? The reality is that only a fraction of the money won—about a third of the £57.8 million settlement—will be awarded.

I will listen to the Minister's response with interest and I hope he can inform us what further action is being or can be taken. It may now be something of a non-story to some people, but not to those involved. It is real. There are still questions to be answered. With a new regime in place, the question is: can it bring about change?

Finally, I support the Post Office service and, together with some sub-postmasters and sub-postmistresses, would certainly like to see the services offered expand, with more transactions, so that the Post Office can go forward with a strong future.

 4.44pm**Lord Bichard** >

(CB)

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My Lords, I have come to this case rather late in the day and defer to those who have been involved for so much longer. I was aware that sub-postmasters in my local area had been involved. I therefore gradually took an interest, researched and read the background briefing. The more I read, the more concerned and appalled I became. That is why I will make a short contribution to this debate; I am so grateful to the noble Lord, Lord Berkeley, for enabling it. This is not something that we should allow to go away.

Obviously, I share the views already expressed. I feel an acute sense of injustice on behalf of the sub-postmasters and sub-postmistresses, many of whom have seen their reputations and lives destroyed by what has happened here. Some have been made bankrupt or imprisoned and many have suffered mental health problems as a result of the anxieties they have faced. Surely none of us can feel comfortable about that. I suspect very few of us feel that the settlement finally reached is sufficient compensation for all they have suffered, particularly when so much of that money will go to lawyers.

There are at least four wider issues—some have already been mentioned—that we need to look at. The first is the way the Government and the Civil Service department managed the relationship with the Post Office during this time. The judge suggested that the Post Office appeared at times to conduct itself as though it was answerable only to itself. It is not, it should not be, and we should better understand why the situation was allowed to happen.

I have run large government agencies and non-departmental bodies in the past. I was always very aware that my parent departments were watching me closely, and sometimes they would robustly challenge what I—what we—were doing. Was there robust challenge during this 20-year period? If not, why not? If there was, what was the consequence? That is the first of the four issues that we need to look at.

The second issue is the culture that exists in the Post Office so far as it concerns sub-postmasters. In the Appeal Court, it was said that it seemed that the Post Office felt entitled to treat sub-postmasters in

“capricious or arbitrary ways which would not be unfamiliar to a mid-Victorian factory owner.”

These are people who provide essential services in communities across the country—essential because many citizens depend on them for their existence. They are people who play an important part beyond that in their community. Whether they are fairly treated and supported is a matter of public interest; it is not an entirely internal matter for the Post Office, and it should not be.

We should be clearer about what the culture of the Post Office is. I note that in the last week or two the new chief executive has said how important it is to deal with this. Well, it starts from a pretty low base, from my observation—and, again, we need to take a close look at how it has got to where it is.

The next issue, which was raised by the noble Lord, Lord Berkeley, will I suspect be the subject of further litigation. Like the noble Lord, I have serious misgivings about the way Fujitsu managed the introduction of the Horizon accounting system. I also have serious reservations about how the Post Office and the department managed the contract and held Fujitsu to account. The judge himself commented that he had serious reservations about the conduct of Fujitsu staff during the course of the contract, and even during the court hearing. This is not the first IT problem close to government that has caused a few problems. It really is about time we learned the lessons and asked ourselves why this keeps happening. It is something else we should look at more closely.

The fourth point, which has not yet been mentioned, is that during the proceedings the Post Office said that if the sub-postmasters were right—and they have been proved right—it would represent, according to the Post Office’s own material,

“an existential threat to the Post Office’s ability to continue to carry on its business throughout the UK in the way it ... does.”

If that is the case, and it is not just hyperbole, we again need to know how it intends to address that existential threat and ensure that this essential service continues to be delivered effectively.

As I said, these are wide-ranging concerns that go to the heart of how the Post Office behaves and is held accountable. For that reason, unless the Minister can provide sufficient reassurance today, I agree that there is a strong case for seeking a fully independent public inquiry covering the issues of culture, accountability, the role of government and the IT failures. After all, the only inquiry to date, I think, was the one carried out in 2013 on behalf of the Post Office by the accountancy firm Second Sight. That was restricted, I believe, to the Horizon system itself.

As I said in the House the other day when this Question was asked by the noble Lord, Lord Arbuthnot, it is sadly all too easy for large corporate organisations such as the Post Office to say that they have made a mistake but will ensure that it is never repeated. Frankly, that will bring little comfort to the sub-postmasters who have been so grievously mistreated. Nor should it be enough to reassure us that the culture will change, that the Government will properly manage the relationship with the Post Office, and that this important public service can deal effectively with the issues it faces. Words and promises are not enough. That is why, if I were a Minister—heaven forbid—I would want someone to have an objective, independent look at what happened, and to be sure that things would change.

🕒 4.51pm

Lord Arbuthnot of Edrom >

(Con)

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I am grateful to noble Lords for allowing me to speak in the gap. I am particularly grateful to the noble Lord, Lord Berkeley, for initiating this debate and for his speech, which was a masterpiece of understatement.

The noble Lord, Lord Berkeley, rightly thanked Nick Wallis and *Private Eye*. I add to those thanked *Computer Weekly*, which has been campaigning on this issue for years. I warn the Committee, too, that I have a Question on this topic on Thursday next week. It would be very good if I could persuade noble Lords who have spoken to speak on that, because they will have been able to consider my

noble friend's reply this afternoon.

The Post Office inflicted losses on the sub-postmasters through its defective accounting system. It then blamed the sub-postmasters for those losses and often told them that they were the only ones suffering those problems. It then made them repay money it had already taken from them. Finally, it dragged those poor people through the humiliation of court hearings, criminal convictions, bankruptcies and worse. At my request it set up a mediation scheme, which it then sabotaged. It forced the sub-postmasters to incur an awful risk and the costs of litigation—litigation that the Post Office lost comprehensively, paying the sub-postmasters a derisory proportion of what they had lost.

It is hard to find words strong enough to condemn the people in charge of this catastrophic fiasco. What have the people in charge suffered as a result? One of them, Paula Vennells, has been given a CBE and now sits on government-sponsored boards. None of the rest, as far as I can see, have suffered at all. However, it is not their suffering that we want, but justice and proper compensation for those who have been dragged through this. The litigation settlement simply does not cut it.

In the common issues trial, the court found that sub-postmasters should be compensated for the loss of their office, which was not covered by the settlement agreement. How will the Government facilitate that? The court held that the National Federation of SubPostmasters was not an organisation independent of the Post Office and that its very existence depended on it not giving the Post Office grounds to challenge its activities. Evidence was also put before the court that the NFSP has, in the past, put its own interests and the funding of its future above the interests of its members. Why are the Government continuing to talk to the NFSP as though it were representative of the sub-postmasters when the judge has found that it is not?

As the noble Lord, Lord Bichard, said, it is clear from the judgments that Fujitsu altered the accounts of the sub-postmasters while telling people that it could not and while knowing that the sub-postmasters were being dragged through the courts, prison and bankruptcy, as we have heard. Some of the witnesses from Fujitsu have been referred to the Director of Public Prosecutions, but what more is being done to bring Fujitsu to account?

Finally, the accounting officer for the Post Office is the Permanent Secretary of the BEIS department. My noble friend the Minister is answerable for that Permanent Secretary. What responsibility do the Government take for this dreadful story?

🕒 4.55pm

Baroness Burt of Solihull >

(LD)

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My Lords, we thank the noble Lord, Lord Berkeley, for bringing this debate today. On 4 February, the noble Lord, Lord Arbuthnot, asked a Question on this subject. It transpired from that that the Post Office had the power to be judge and jury for its own prosecutions. Trusted, honest people suffered at its hands because it refused to believe that the Horizon computer system had glitches that caused discrepancies. This dragged on for years, until last December the directors of the Post Office finally had to admit that they had got it wrong, but not before people had had reputations, finances and lives ruined.

The thrust of this debate is whether the Government intend to take action against the directors of the Post Office, who presided over almost 20 years of mismanagement, incompetence and downright illegal activity. We have heard many instances this afternoon of how the behaviour of the Post Office was, according to Lord Justice Coulson, who judged the Post Office's appeal, like that of a "Victorian factory owner", as the noble Lord, Lord Bichard, said.

It is shocking and, even with the benefit of hindsight, it is still hard for me—among many others, I am sure—to understand how things have come to the situation that we find ourselves in. Ten years ago we were talking about reversing the decline in numbers of sub-post offices and giving them a much wider remit. Indeed, they were to be the face of government in the community. We were going to combine sub-post offices with other community services—the local shop, the pub, the library—so that they would be doing more, offering those wider range of services for longer than traditional opening hours and fitting in with normal local shop opening hours. They were not going to be doing less, with much reduced revenue coming in over longer hours, to the extent that a recent survey by the National Federation of SubPostmasters found that three-quarters of sub-postmasters and sub-postmistresses are earning below the minimum wage.

Of course digitalisation and changes in shopping trends have taken their toll, but sub-postmasters have been prevented from extending their own parcel service by an exclusive contract with the Post Office itself. They are hamstrung from competing in today's marketplace, so they are left with servicing the needs of those unconfident with buying or seeking services online—the old and the

poor. Yet Paula Vennells, the previous CEO, left the Post Office for the NHS last year with a CBE, in part for her services to the Post Office.

The noble Lord, Lord Arbuthnot, has been a strong campaigner on behalf of the sub-postmasters and I am delighted that he was able to speak in the gap today. He has raised the question of the Criminal Cases Review Commission, which is considering the impact of the out-of-court settlement on the 34 Horizon-related cases that it had under review. But, he has asked, what about the rest of the cases? What about the people such as Mrs Shaheen, who was not listened to despite identifying at least 11 errors on the Horizon system? She was sent to prison after accepting a plea bargain to drop the theft charge against her. She and so many others deserve justice. They deserve to have their names cleared and they deserve reparation. An out-of-court settlement of £57.75 million, from which legal expenses have to be paid, leaving only £12 million for sub-postmasters themselves, cannot be the end of the story. That figure of £12 million came from the noble Lord, Lord Duncan of Springbank, on 4 February.

We know that Lord Justice Coulson said that he will refer Fujitsu, the providers of the Horizon system, to the Director of Public Prosecutions for possible further action, but what about the people who must admit their own culpability? What is the point of having directors without responsibility? Will those people be referred to the DPP? They must be brought to book.

We have a new chief executive in the Post Office and, we are told, a new regime. On 4 February, the noble Lord, Lord Duncan of Springbank, mentioned a new national framework that he insisted would ensure that

“the past situation cannot be repeated.”

Can the Minister give us some detail on that and when he estimates that this framework will be in place? The noble Lord, Lord Duncan, also said:

“I cannot comment on the individuals who were in positions of power during that time because I simply do not have the answer.”

Does this Minister have the answer now? The noble Lord said that

“during a significant period in the history of the Post Office, wrongdoing took place.”—[*Official Report*, 4/2/20, cols 1710-11.]

For the sake of the sub-postmasters who have been wronged, when will they get justice?

🕒 5.02pm

Lord McNicol of West Kilbride >

(Lab)

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My Lords, I welcome the noble Lord, Lord Callanan, to his new position; it makes a bit of a change from Brexit. It is not the nicest of debates to open with, especially following the previous Oral Question. I thank my noble friend Lord Berkeley for securing today's important debate. The High Court judgment in *Bates v Post Office* is viewed as the climax to more than 20 years of ordeal riddled with injustice, as we have heard—an ordeal where technology failed the workers and bosses failed their employees.

As my noble friend Lord Berkeley did, I start by sharing some of the stories beyond that of Alan Bates, whose name is on the case. A number of them have already been covered, so I will not touch on them, but a few are striking. They go to the heart of this case, to issues of fairness and equality, and to how the case affected and still affects the individuals. There was Seema Misra, who ran a post office with her husband in Surrey, but time and again they had to put their hands in their own pockets to pay for the shortfall. It was ultimately found that the shortfall totalled about £80,000, and she was sentenced to 15 months in jail while pregnant with her second child.

We have heard about Rubbina Shaheen. Jo Hamilton was accused of taking £36,000 from the village shop she ran in Hampshire. After pleading guilty to false accounting to avoid a more serious charge, she gave up her shop and found it difficult to get a new job because of her criminal record. My noble friend Lord Berkeley touched on the case of Gary and Maureen Brown, so there is no need to repeat that. There were other cases influenced by Horizon's problems. Its records were used as evidence against Robin Garbutt, who was accused of stealing money and murdering his wife.

During today's debate, we must not lose sight of the human impact of these failures. Many are now seeking to overturn their convictions, and rightly so. It would be interesting to hear some words from the Minister about those previous convictions and the Government's position on them.

I think that we all welcome last December's High Court judgment and the approval of a £58 million settlement between the Post Office and the 550 claimants. As we have heard from every contributor, it is just a shame that so little of that will go to the individuals themselves.

The judgment confirmed what has long been known: that a number of bugs, errors and defects in the Horizon IT system had caused "discrepancies" in sub-postmasters' branch accounts. I want to praise Alan Bates, a former sub-postmaster from north Wales, for all his work with investigative journalists and others in seeking justice. Like many noble Lords, I was struck by the vivid language that Justice Fraser used in his judgment—I do not need to repeat some of the statements; there are so many. He stated that the Post Office had shown

"the most dreadful complacency, and total lack of interest in investigating these serious issues",

which amounted to

"the 21st century equivalent of maintaining that the earth is flat."

The noble Lord, Lord Bichard, and the noble Baroness, Lady Burt, touched on the concluding comment by Justice Coulson, who said that sub-postmasters were treated in

"in capricious or arbitrary ways which would not be unfamiliar to a mid-Victorian factory-owner."

I have some questions for the Minister. Why did the Post Office make multiple appeals to try to see off the court case rather than deal with the issues and settle? Why did it ask for Judge Peter Fraser to recuse himself from the trial?

While the trial might be over, this shameful period is not. Many questions remain unanswered by the Post Office, by Fujitsu and by the Government. The Post Office's new CEO is welcome, but the organisation cannot hide behind cosmetic changes. A cultural shift is needed from top to bottom to rebuild trust between sub-postmasters and sub-postmistresses and the Post Office. Will the Post Office introduce an independent component when conducting any future prosecutions? How many branches still use the Horizon IT system? Can the Post Office guarantee that all bugs in the system have been fixed?

As we have heard, Fujitsu continually dismissed any claims of problems with its Horizon accounting system, which was being used in 11,500 branches by 2013. Do the Government support any action against Fujitsu and its directors?

We must also consider the Government's role in this ordeal and their responsibility to help. The CWU's branch secretary for sub-postmasters has pointed out that a government representative sits on the board of the Post Office and that they presumably took part in those board meetings that made decisions on the litigation, including the attempt to recuse the judge. Would the Minister care to comment on that?

Speaking in this House a couple of weeks ago, the Minister, the noble Lord, Lord Duncan, stated the Post Office had got it badly wrong and confirmed that only £12 million of the £58 million compensation would go to the individuals. He said that this was "not enough". With that, I could not agree more. Why, then, have the Government said that they will not pay or help towards the sub-postmasters' legal costs? Do they still hold to this policy? The crux of this is: do the Government support a full public inquiry into Horizon, Fujitsu and all the subsequent issues that arose?

I have about a minute left, so I will touch on a few wider thoughts. There is no escaping how technology will displace workers, reconfigure the labour market and change decisions made by companies and Governments in the future—in fact, it is happening now. The power of tech companies will only grow as technology increasingly dominates our personal and private lives. The fear of bugs similar to the Horizon system's might well diminish, but human error could increase as machine learning becomes more and more common. No matter how many jobs are replaced by automation, human oversight will always be needed. A big change is coming and we must learn and be ready, but the people affected by Horizon deserve to get the justice and compensation owed to them.

🕒 5.12pm

The Parliamentary Under-Secretary of State, Department for Business, Energy and Industrial Strategy >

(Lord Callanan) (Con)

I thank the noble Lord, Lord McNicol, for his welcome. Dealing with some domestic issues makes a great change from talking endlessly about EU renegotiation and the various withdrawal Bills. I am delighted to be doing this job, tricky though many of the issues are.

I thank the noble Lord, Lord Berkeley. We are reunited in policy content after our time together dealing with transport issues. He has raised an important debate. I have been in post for only 10 days. I was not aware of this issue in detail, but I have of course seen the various press comments and summaries about it. The debate has given me an excellent opportunity to familiarise myself with the issue. I say at the outset that I share much of the horror and concern raised by many noble Lords.

I assure the Committee that the Government fully recognise the vital role postmasters and their post offices play at the very heart of our communities. It is therefore only right that their treatment is of the utmost importance to us so that they can continue to deliver a service so highly valued by many up and down the country. The Government also value the economic and social importance of post offices to people, communities and businesses across the UK. That is why, since 2010, successive Governments have made a commitment to safeguard the Post Office network and ensure its sustainability.

Let us consider the current facts regarding the Post Office. Between 2010 and 2018 the Government provided nearly £2 billion to maintain and invest in a national network of at least 11,500 post offices. We set requirements so that 90% of the UK population are within one mile and 99% are within three miles of their nearest branch. Government investment has enabled the modernisation of more than 7,000 branches, added more than 200,000 opening hours per week and established the Post Office as the largest network trading on Sundays.

Post Office banking services enable 99% of personal and 95% of business banking to be done in any of the 11,500 branches, supporting consumers, businesses and local economies in the face of accelerated bank closures. The financial performance of Post Office Ltd has also improved, with the Post Office making a profit for the third year in a row, thereby reducing government funding from £415 million in 2013-14 to £50 million in 2020-21. All this has been achieved because of the able and hard-working women and men who are proud diligently to serve their respective communities each working day. I say that as background to the appalling circumstances that we address today.

On the Horizon accounting system litigation, postmasters are a significant part of the sustainability and future of the Post Office. In relation to the Horizon accounting system case, Post Office Ltd has accepted that, in the past, it got things badly wrong in its dealings with a number of postmasters, and it is right that it has apologised. As noble Lords are aware, on 11 December, the Post Office and claimants reached a comprehensive resolution to the litigation following several days of respectful, challenging and ultimately successful mediation. The Post Office chair, Tim Parker, said:

“We are grateful to the claimants for taking part in this mediation and agreeing a settlement, bringing the Group Litigation to a close. I am grateful to Nick Read for his important engagement in the mediation process. We accept that, in the past, we got things wrong in our dealings with a number of postmasters and we look forward to moving ahead now, with our new CEO currently leading a major overhaul of our engagement and relationship with postmasters.”

I reassure the noble Lord, Lord Berkeley, that this Government do not take for granted the financial and emotional suffering that the impacted postmasters endured in relation to issues with the Horizon system, which is why this Government are pleased that a resolution has been arrived at to settle this long-running litigation.

A number of noble Lords, particularly the noble Lord, Lord McNicol, talked about the Horizon system. That question was central to the subject of the litigation and the second Horizon issues trial when judgment was handed down on 16 December. The judgment made clear that it is a historical analysis of the Horizon system at a specific point in time in the group litigation and not a judgment on the system today. When handing down that judgment, the judge found that the Horizon system as it is today is “relatively robust”.

We are committed to working alongside the new CEO of Post Office Ltd, Nick Read, to implement the necessary cultural and organisational changes highlighted by the litigation. Nick has shown that he is personally committed to learning the lessons and is currently leading a major overhaul of the Post Office’s engagement and relationship with its postmasters. The Government have proactively challenged the Post Office CEO and chairman personally to strengthen its relationship with postmasters and take on board the lessons learned through the litigation. Preparation for this debate offered me the opportunity to speak to Nick Read this morning and we had a productive conversation about all the issues, where he reassured me of the steps that the Post Office is taking on this.

The noble Lords, Lord Bichard and Lord Berkeley, made a number of points about the responsibility of BEIS and the Government for many of these issues. Let me explain that BEIS relied on the Post Office management to investigate the issues with the Horizon system and the Government were assured that the system was robust and the issues raised by the postmasters were being handled

appropriately. BEIS pressed management on these issues and was given consistent advice from the company's experts that appeared to verify those claims at that time. There have been numerous attempts over the years to try to resolve these issues, including an independent investigation in 2013 and a mediation scheme in 2015. Those failed to resolve the issues, leaving the court as the only means of providing the independent review that all sides needed. In hindsight, of course, facts came to light through the litigation that revealed that the advice received over that period was flawed. As such, the Government will monitor closely the progress that the Post Office is delivering on its programme of commitments following the settlement. That relationship will be constantly reviewed.

As I said, I spoke to the CEO, Nick Read, this morning and I was glad to hear that improvements at all levels of the Post Office are well under way, reflecting many of the lessons learned from this difficult experience, which will enable him to take forward a modern Post Office. That means a company fostering a genuine commercial partnership with postmasters, where the necessary support for them to operate branches successfully is available.

Following the agreed settlement, the Post Office is also continuing to directly address past events for affected postmasters. A scheme will be announced in the near future with the aim of addressing historical shortfalls for postmasters who were not part of the group litigation settlement.

The noble Lord, Lord Berkeley, asked about compensation for those affected. The settlement agreed with the Post Office included all legal and other costs. In those circumstances, the Government cannot accept any further request for payment. While the process was undoubtedly challenging, the Government thank all the claimants for participating in order to finally resolve this matter and enable both parties to move forward.

My noble friend Lord Arbuthnot raised the issue of the remuneration of postmasters for their losses. As I said, following that agreed settlement, the Post Office is continuing to directly address past events for affected postmasters. A scheme will be announced in the near future with the aim of addressing those historical shortfalls for postmasters who were not part of that group litigation.

I was pleased to hear from the CEO of the new personalised support that postmasters are now receiving. This includes newly established area managers able to deliver support on the ground, an improved branch support centre to support teams throughout the UK, an overhaul of postmaster training and, above all, a further increase to postmaster remuneration.

My noble friend Lord Arbuthnot asked about the National Federation of SubPostmasters and its independence from the Post Office. It is fair to say that the Post Office has acknowledged criticisms from the litigation about its dealings with postmasters, and is accelerating its programme of improving how it works with both postmasters and the NFSP. We in government are also engaging with other stakeholders in the postmaster community, including the Communication Workers Union, to understand properly the views of postmasters.

Going forward, government Ministers and officials in both UKGI and BEIS will hold the Post Office to account for these reforms, along with wider cultural and organisational changes, and will seek clear evidence that real positive change is taking place.

The noble Lord, Lord Berkeley, asked about the actions of Fujitsu and the cases arising from the litigation.

Baroness Burt of Solihull >

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Before the Minister leaves the subject of the accounts that are outstanding, can he confirm—yes or no—whether any director of the Post Office will be held to account for their actions?

Lord Callanan >

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I will come on to that shortly.

I was answering the noble Lord, Lord Berkeley, about Fujitsu. When handing down the Horizon judgment, the judge raised concerns in relation to the evidence provided by Fujitsu employees. Those cases have been referred to the Director of Public Prosecutions. It is, of course, a matter for the DPP to consider what action, if any, he would like to take following that referral.

My noble friend Lady Redfern asked about the kind of settlement and referred to it being inadequate, following the comments by my noble friend Lord Duncan. We recognise that it has been, to put it mildly, a difficult period for postmasters who have experienced the issues covered by this litigation. Mediation took place between the parties in confidence and, while I can confirm that the total amount of the settlement was £57.75 million, I am sure the Committee can appreciate the legal sensitivities of the matter. While the financial settlement is a major step towards resolving some of these grievances, there is more for the Post Office to do. It has committed to a major programme of work to overhaul its relationship with postmasters, which we in government are determined to see delivered.

My department has taken steps to strengthen the mechanisms for doing so. This has included expanding the BEIS Post Office policy team that works closely with UKGI in holding the Post Office to account at an official level. It also means strengthening the relationships and responsibilities of the Post Office, BEIS and UKGI through a new framework document that formalises that relationship and the responsibilities of those parties involved. I can announce that this will be published shortly. In addition, BEIS has established, and chairs, a quarterly working group involving the NFSP and the Post Office. The working group is a forum for discussing Post Office and postmaster relations and provides the opportunity for highlighting concerns the postmasters may have. As I said earlier, the Government are also engaging with other stakeholders in the postmaster community, including the Communication Workers Union, to understand the views of postmasters. Progress will also be monitored at the highest levels of the Post Office in quarterly ministerial meetings with its CEO, Nick Read.

I can confirm, too, to the noble Baroness, Lady Burt, that we are in the process of establishing the framework document to govern that relationship, and that will be published soon. I will now address her point about holding directors to—

Lord Bichard >

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Before the Minister sits down, will he agree, since he is clearly not inclined to accept the need for an independent inquiry, that the independent non-executive director, who I think sits on the BEIS board, might have a role in ensuring that these promises are kept?

Lord Callanan >

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Indeed, I would of course be happy to accept that. We believe, however, that additional accountability should be in place, which is why I outlined the further accountability mechanisms that we are putting in place: it will not be just the director on the board—there will also be a series of quarterly meetings between the CEO and Ministers, to make sure that we put in place all the appropriate accountability that is required.

On the issue of the directors responsible, we are pleased that the Post Office's chairman and its new CEO, as well as the previous CEO, have fully apologised for getting things wrong in the past. The appointment of the new CEO in September last year is an important step for the Post Office in improving how the organisation is run, along with its relationship with its postmasters. However, the Government do not propose to take any further action against current or former directors.

Following the conclusion of the mediation, the Government's focus is now on ensuring that the Post Office lives up to its commitment and moves forward under the leadership of its new CEO. The judgments in this litigation have provided the independent view of the facts that both parties sought for many years, resulting in firm pledges from the Post Office to reform postmaster relations and ensure the stability and sustainability of the network.

Your Lordships can be sure that the Government will hold the Post Office to account in delivering reform and ensuring that these crucial changes have a tangible and positive impact on postmasters. We will make sure that those hard-working individuals are respected and valued for the fundamental role they play in upholding the post office network and with it, delivering essential services to communities up and down the country.

Finally, I apologise for not having time to respond in detail to a number of points that were raised. I will do so in writing.

🕒 5.28pm

Sitting suspended.

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