



OVERTURNED CONVICTIONS

POL / DBT OC OPERATIONS AGREEMENT

Purpose

1. This operations agreement sets out the governance framework between Post Office Limited (POL) and the Department for Business and Trade (DBT) and is concerned with structure and processes for decision making and accountability regarding the delivery of compensation to postmasters with Overturned Convictions (OC).

Background

2. The overturned convictions remediation scheme ("OC") was established by Post Office Limited ("POL") with funds committed by the Department for Business and Trade ("DBT") to compensate postmasters, branch managers and/or assistants (each referred to as a "postmaster" and collectively as "postmasters") who:
 - (a) were convicted of offences connected to the Horizon IT system ("Horizon") and, following the "Common Issues" and "Horizon Issues" judgements issued in the POL group litigation and / or *Hamilton & Ors. v. Post Office Limited* judgement issued by the Court of Appeal (Criminal Division), whose convictions were overturned:
 - (i) due to unreliable evidence obtained from Horizon; or
 - (ii) but not opposed by POL on public interest grounds; OR
 - (b) although not convicted, were prosecuted by or on behalf of POL for offences connected to Horizon and suffered detriment because of POL's actions.
3. The shared objective of POL and DBT is to see that affected postmasters receive swift and fair compensation for credible claims against POL.

Roles of POL and DBT

4. POL's CEO is POL's Accountable Officer¹. As such, POL's CEO is responsible for observing the principles set out by HM Treasury in Managing Public Money regarding

¹https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/874283/post-office-limited-shareholder-relationship-framework-part-1.pdf



any settlements agreed and ensuring that those settlements represent Value for Money ("VfM") to the taxpayer, and meets the requirements of fairness, consistency, and minimising litigation costs for POL and postmasters, on both an individual and programme-wide basis.

5. Each of POL and DBT recognise that it is a priority for postmasters to receive compensation for OCs without engaging in further litigation with POL where possible. As such, POL and DBT, will agree and implement a resolution strategy which ensures that this objective is met. POL and DBT may amend or replace the agreed such strategy as needed to improve the efficiency of the compensation process, and to ensure that the above objective continues to be met.
6. POL and DBT shall work collaboratively to resolve issues raised by the Horizon Inquiry quickly, to ensure affected postmasters receive fair and timely compensation.
7. In delivering compensation to postmasters who have OCs:
 - (a) POL is responsible for the design and implementation of the compensation scheme. The resolution strategy will be an agreed, principles-based approach to ensure a fair and consistent method is applied to the settlement of individual claims;
 - (b) DBT is responsible for funding the compensation sums, agreeing key decisions in relation to POL's resolution strategy, and monitoring POL's progress. DBT has, with HM Treasury's approval, committed up to £780m towards the compensation of postmasters with OCs; and
 - (c) POL and DBT agree to work collaboratively to progress claims expeditiously and avoid undue delay.

Resolution Strategy: The Agreed Process

Interim payments

8. Interim payments of up to £163,000 are available to each postmaster with an overturned conviction. To receive an interim payment, the postmaster must have:
 - (a) had their criminal conviction(s) overturned; or
 - (b) suffered detriment following prosecution for offences connected to Horizon even though not convicted.
9. As soon as reasonably practicable after a postmaster's conviction has been overturned, POL shall assess a postmaster's eligibility for an interim payment, determine the amount payable, and approve the payment of such amount to the postmaster. POL



may also, on a case-by-case basis, make more than one interim payment to a postmaster due to ill health, where an offer is partially or fully disputed, where it considers such payment necessary to prevent further hardship on the postmaster, where they have presented a full pecuniary claim, and/or in any other situation where POL and DBT agree.

10. DBT has delegated to POL the power to decide and approve initial interim payment offers at the point when a conviction is overturned.

Settlement offers

11. On assessing a postmaster's claim, POL shall make a without prejudice offer of compensation, and shall where applicable, give its reasons for rejecting any elements of the claim. If the postmaster:

- (a) accepts the offer of compensation, POL shall pay the postmaster the compensation amount no later than 28 days from the acceptance date;
- (b) rejects the offer of compensation, the postmaster may require POL to reconsider the rejected elements of their claim and provide further information and/or evidence in support of their position. If appropriate, having considered any arguments and further information and/or evidence provided by the postmaster, alongside its duty to ensure that each offer of compensation achieves value for money, POL may make a revised compensation offer to the postmaster.

12. POL may, with support from DBT, process the non-pecuniary and pecuniary elements of OC claims separately, if claimants wish.

Non-pecuniary Claims

Principles

13. POL will process non-pecuniary claims in line with the non-pecuniary principles and ranges set out in Part 1 of the Principles (Annex 4). Decisions on non-exceptional non-pecuniary cases are delegated to POL with executive summaries to be shared with DBT for noting. Exceptional cases are defined by the criteria in Part 1 of the Principles (Annex 4) and require DBT's approval. DBT retains the right to view any claims wherever requested. Where treatment outside the non-pecuniary principles is required, POL shall engage DBT early to agree on strategy.

Exceptional cases: process



14. POL shall share its full assessment of an exceptional case with DBT. DBT shall raise with POL any comments or challenges to the case with reference to the Principles and/or consistency with other OC non-pecuniary claims. POL shall then reflect any DBT comments in its assessment, progress the claim through its internal governance for approval, and submit the final decision to DBT for ratification.

Pecuniary Claims

Principles

15. POL has established pecuniary principles for OCs (set out in Part 2 of the Principles in Annex 4) with which to assess, quantify, and make settlement recommendations on OC claims. The pecuniary principles shall be assured by an independent assessor; and any amendments to the pecuniary principles shall be agreed between POL and DBT. The Principles and methodologies will be kept under review and may be amended in the light of relevant court judgments, independent determinations by the Independent Pecuniary Compensation Assessment Panel (the “**Panel**”) and/or to reflect outcomes from specific claim negotiations and settlements.
16. The pecuniary principles shall be used in discussion with claimants’ legal representatives, and to ensure that the assessment of each case is, as far as practicable, standardised.
17. POL shall continue to engage with claimants’ representatives on any proposed operational changes, so long as remain involved in putting forward their clients’ claims.

SAR

18. POL shall prepare a settlement advice and recommendation note (“**SAR**”) on each selected claim based on the Principles, setting out its assessment of the postmasters claims and taking any information / evidence provided by the postmaster into account. The SAR will provide:
- (a) a rational and principled assessment of the claim by head of loss based on the evidence the claimant has provided and/or could reasonably be expected to provide (including in claimant testimony), applying lessons learned from previous OC cases and/or the Horizon Shortfall Scheme where appropriate; and
 - (b) a recommended settlement offer based on that assessment, broken down by head of loss.



19. DBT shall scrutinise the Initial Cases (as defined below) closely to test how the Principles are proposed to apply to, and the assessments in the SARs are to be made in, live cases, to build confidence in those assessments, recommendations and outcomes. DBT has the right to access and review all SARs subject to the provisions of the Data Sharing Agreement (“**DSA**”) between POL, UKGI and DBT in respect of OC claims.
20. DBT will not be asked to approve the fact-specific recommendations made in the SARs. Instead, DBT will need to be suitably assured that claims have been assessed by subject matter experts who have made their recommendations by reference to the appropriate considerations (i.e., the Principles and wider ADR objectives), and that based on the information provided to DBT by POL, claimants have been treated fairly.

Approval rights

21. DBT shall scrutinise and retain full approval rights over an initial tranche of selected cases (the number of which shall be agreed with POL) (the “**Initial Cases**”) to ensure a shared understanding of the practical application of the Principles to individual cases. As part of this process, POL shall present DBT with SARs for the Initial Cases setting out how its recommendations have been reached in each case.
22. The Initial Cases shall be of a number sufficient to provide DBT with a benchmark against which future cases will be assessed. POL and DBT will establish a review point for the Initial Cases when the agreed number of such cases have been settled in line with the pecuniary principles. At the review point, DBT shall determine whether sufficient confidence has been reached in POL’s application of the pecuniary principles as to delegate to POL the authority for processing subsequent non-exceptional cases.
23. POL and DBT shall agree the criteria for assessing exceptional cases when DBT shall have delegated to POL the authority for processing non-exceptional cases. DBT shall require POL to present additional Initial Cases if the information obtained from the previously agreed number of Initial Cases is insufficient basis for defining the appropriate criteria for processing subsequent exceptional cases, in respect of which DBT may wish to delegate its authority to POL.

Exceptional cases: process

24. After POL has received information from a claimant and determines that the claimant’s case is an exceptional one based on exceptional case criteria agreed by POL and DBT, POL will, if required, engage DBT in a ‘sightings meeting’ to discuss the proposed



handling of the case, at which meeting DBT will provide its early views on the case. POL shall produce a SAR for the case, taking DBT's early views into account. DBT shall raise with POL any comments or challenges to the case with reference to the Principles and/or consistency with other OC pecuniary claims. POL shall then reflect any DBT comments in its assessment, progress the claim through its internal governance for approval, and submit the final decision to DBT for ratification.

Disputed settlement amounts: independent assessor

25. If for any reason POL and a postmaster cannot agree on a part of or the entire compensation amount (e.g., where a reasonable concession cannot be found because the amounts proposed by each party as compensation for a head(s) of loss are too far apart), either party may make a written request for an independent assessment of the disputed amount(s).
26. A request for an independent assessment of a disputed amount regarding a pecuniary claim shall be made to the Panel tasked with facilitating the resolution of such disputes. The Panel shall be comprised of members independent of POL and selected in consultation with a cohort of postmasters and/or their representatives. The Panel chairperson shall determine whether the referred dispute ought to be considered by a single independent assessor, a combination of, or all the independent assessors on the Panel. Further details on the Panel's role and composition and the referral process are as set out in the terms of reference contained in Part 3 of Annex 4.
27. A request for an independent assessment of a disputed amount regarding a non-pecuniary claim shall be made to an independent third party or body as agreed by POL and DBT tasked with facilitating the resolution of such disputes.
28. At the end of the referral process, the independent assessor(s) shall make a non-binding written recommendation to the parties, and the postmaster's reasonable costs for participating in the referral will be paid by POL. The parties shall attempt to reach a settlement based on those recommendations, failing which the postmaster may opt to prove their claim for a higher amount in court.

Upfront settlement

29. As an alternative to having their case assessed specifically and going through the various stages of the compensation process, an eligible postmaster may opt instead to receive a lump sum payment of £600,000 in full and final settlement of their claims (the "**Upfront Settlement**"). For the avoidance of doubt, if the postmaster has received



some amount in compensation before opting for the Upfront Settlement (an “**advance payment**”), such advance payments will count towards the settlement sum such that only the difference will be paid. In this clause, an advance payment shall not be construed as including any sums received by a postmaster from the settlement agreed on 10 December 2019 with the claimants in the group litigation proceedings against POL.

30. If a postmaster opts for the Upfront Settlement, POL will seek DBT's approval before making the required payment, until otherwise delegated to POL.

Postmasters' legal and professional fees

31. Postmasters shall be entitled to recover in addition to their compensation, reasonable legal and professional fees incurred in the process of getting their convictions overturned. Such fees shall only be considered reasonable, and thus reimbursable, if so, determined by a costs assessor in line with the set thresholds and applicable costs principles contained in Part 2 of Annex 4.
32. POL shall establish controls on the level of spend on legal advisers for OC claims to ensure that the costs incurred in connection with cases are reasonable and proportionate.

General oversight arrangements

33. POL shall, subject to the Data Sharing Agreement dated May 2022 between POL, UKGI and DBT (the “**DSA**”), share with DBT a SAR on each selected claim setting out its assessment of the postmasters claims and the recommended settlements by heads of loss, taking the Principles and any information / evidence provided by the postmasters into account. The SARs shall also contain a VfM analysis at both an individual and programme wide level, considering costs (including potential litigation costs), the successful delivery of remediation objectives, and the merits of proceeding with the settlement as proposed against any alternatives that might be available to each individual claim.
34. DBT may ask for UKGI's support with reviewing SARs data, subject to the provisions of the DSA . To facilitate this:
- (a) UKGI/DBT shall provide POL with a list of individuals who need to view the relevant SAR;



- (b) POL shall share the SAR to the nominated UKGI/DBT individuals by email or some other secure system, marked “legally privileged and confidential” and “this document contains personal data”;
 - (c) other than legal advisers, UKGI/DBT shall obtain POL’s prior consent to share the SAR more widely with individuals not on the nominated list. If POL consents, UKGI/DBT may share the SAR to such individuals who shall be subject to the same obligations in the DSA, including but not limited to the duty of confidentiality;
 - (d) UKGI/DBT shall keep copies of the relevant SAR on file for up to 7 years from the date of each settlement agreement to allow it to defend itself against any legal challenge. Following such retention period, the relevant SAR and all associated data shall be destroyed and securely disposed of by deleting the relevant files, folders and sites manually and / or automatically including deleting same from recycle or other locations from where the deleted items could be restored.
35. POL will provide sufficient information to enable DBT to monitor POL’s management information and the findings of POL’s assurance work to help develop and plan DBT’s assurance requirements. DBT will coordinate its assurance plans with POL and will agree the requirements for POL’s three lines of defence (such agreement not to be unreasonably withheld or delayed). POL will provide access to POL’s internal audit team or other providers of assurance as necessary.
36. To the extent permitted under the DSA, DBT reserves the right to undertake an independent audit from time to time of OC settlement offers to ensure that the Principles are being applied fairly and consistently, for example if DBT is required to do so by the Government Internal Audit Agency or National Audit Office.

Monitoring Arrangements

Monthly Monitoring

37. POL shall provide regular updates on progress in negotiating and settling the claims by including case progress and settlement information into the management information (“MI”) packs for the existing monthly interim payments monitoring meetings. The contents of the extended MI pack will be agreed between POL and DBT. Monitoring information shall be reviewed and may change from time to time as POL’s resolution strategy develops.



Quarterly Monitoring

38. POL shall meet with DBT's senior board on a quarterly basis, including the DBT Senior Responsible Officer, to provide an update on OC progress and outlook for expected cashflows and costs.

Funding and Cost Sharing Arrangements

39. Funding and cost sharing arrangements regarding the delivery of compensation for postmasters with OCs, including interim payments, will be set out in the relevant Funding Commitment Letter.
40. The process relating to DBT's reimbursement of full and final settlement payments is set out in the DBT Reimbursement Process diagram found in Part 4 of **Annex 4**.

Review Points

41. The operation of the "*Resolution Strategy: Agreed Process*" and "*Monitoring Arrangements*" will be reviewed every quarter (i.e., every four months) by the DBT Senior Responsible Officer (on advice from officials) and thereafter as reasonably required by DBT.

Other

1. This agreement is considered a 'live' document that shall, unless otherwise agreed, be updated **every six months** by POL and DBT, provided that POL and DBT may agree to an ad hoc update if a substantive change occurs before the agreement is due for an update, with each party taking turns to run the updating process as contained in the table in Annex 1. Any amendments to this agreement shall be approved by both POL and DBT and recorded in writing.



Annex 1: Revisions and Updates

Document Version	Date of Document / Revision	Approvals	
Original draft (version 1)	20 December 2021	Date and Signatures	
		For DBT	For POL
Version 2		Date and Signatures	
		For DBT	For POL

Annex 2: Record of Changes

Version 2	Updates to previous version
	Name change from 'Overturned Historical Convictions' to 'Overturned Convictions'
	Expands the scope of postmasters eligible for compensation to include postmasters whose convictions were overturned but not opposed by POL on public interest grounds. This segment of postmasters who previously were ineligible, are now to be treated in the same way as all other postmasters with overturned convictions.
	Move from 'ADR Strategy' (which proved less feasible and efficient in practice) and related provisions to a new resolution strategy based on experience and in response to feedback from the Inquiry
	Increased postmaster interim payments from £100,000 to



	£163,000
	Added option for further interim payments to postmasters where necessary
	Included new references to pecuniary and non-pecuniary principles
	Removed the OHC Principles
	Removed goal of determining the better outcome as between the proposed settlement and the outcome of litigation or other dispute resolution mechanism considering factors like POL's reputation and the claimants' faith in the resolution process
	Added 'Sightings Meetings'
	Removed requirement for regular updates consolidating the progress of cases with financial impact against an agreed model for OHC cash forecasting
	Removed section on unsuccessful mediation / settlement discussions
	Added new fixed sum offer of £600,000 per postmaster and eligibility criteria
	Removed assurance section noting the practical difficulties and inefficiencies created by requiring the opinion of a King's Counsel or similar legal professional for all claims
	Removed BEIS option to pause funding if value for money cannot be established
	Removed Annex B – extract of governance and control section from the Interim Payments Funding Commitment Letter

Annex 3: Record of Approvals and DBT Delegated Authority

Date	Subject Matter	Delegations
October 2022	Increased postmaster interim payments from £100,000 to £163,000	POL
November 2022	All non-exceptional non-pecuniary claims	POL
November	Non-pecuniary counteroffers where i) no increase is being	POL



2022	made but further evidence is being requested; ii) POL is going to the top of PI Counsel's range	
December 2022	Resolution Strategy POL Board approved the move away from the ADR strategy in v.1 of the agreement to a remediation model in response to feedback received from the Horizon Inquiry. DBT supported the change.	POL
April 2023	All proactive offers of prosecution monies	POL
April 2023	Decisions to pay non-pecuniary offers gross (not deducting IP)	POL
September 2023	DBT approved the alternative settlement process under which eligible postmasters with OCs may opt to receive the sum of £600,000 in final settlement of their claims without going through the established case by case / staged compensation process	POL
October 2023	Counteroffers on non-pecuniary claims if the revised offer is based on non-exceptional principles	DBT Working Group
October 2023	Paying non-pecuniary claims in full with PI as an interim payment if the PI acceptance is subject to further medical evidence or treatment	DBT Working Group
January 2024	Future interim payments less than £50k	DBT Working Group
November 2022	Exceptional non-pecuniary offers unless precedent-setting	SRO
April 2023	Increases to pecuniary offers which do not set precedents at 1% of the offer/capped at £1000	SRO



Annex 4: Principles

Part 1: Non-Pecuniary Principles

Part 2: Pecuniary Principles

Part 3: Independent Pecuniary Compensation Assessment Panel (Terms of Reference)

Part 4: Reimbursement Process Diagram

[Part 5: Process Assurance (from Adam Tolley QC, Jonathan Kinnear QC, Lord Dyson, and Sir Hickinbottom)]