



Rt Hon Liam Byrne MP
Chair of the Business and Trade Committee
House of Commons
London
SW1A 0AA

2 December 2024

Post Office Ltd
100 Wood Street
London
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Dear Mr Byrne,

Post Office: Fast and Fair Redress

Thank you for the opportunity to give evidence to the Business and Trade Select Committee on 19 November 2024 on the topic of redress and for your constructive challenge. I hope the evidence Mr Railton and I gave to the Committee was helpful.

During the session, I made a number of commitments, and I wanted to follow up on each of these in writing to continue our support for the Committee's ongoing work.

Cost of External Lawyers

During the session, I was asked about how much had been spent to administer the redress schemes and the total amount of fees paid to external lawyers. Importantly, as I said during the session, Government funding support for redress payments is separate and ring-fenced from the funding provided for the operation of the schemes that Post Office Limited is administering.

On this topic, I stated that we had spent £178m (including VAT, £163m excluding VAT) on Herbert Smith Freehills (HSF), who have supported Post Office in the set-up and running of the Horizon Shortfall Scheme (HSS). The £178m number I quoted is actually the spend allocated to date for HSF fees associated with both supporting the Post Office Redress Schemes and other legal work outside redress such as Sir Wyn's Post Office Horizon IT Inquiry. I apologise for any confusion this may have caused.

To further clarify, I have since checked my information so I can provide you with accurate figures on both the cost of administering the redress schemes and the fees paid to external lawyers. These figures represent spend allocated to date and include, for example, some sums which Post Office has yet to be invoiced for.

The cost of administering the Post Office led schemes from 2020 to date totals £197m (including VAT, £181m excluding VAT). £136m (£125m excluding VAT) of this total is for legal fees. This comprises a total of £67m (£61m excluding VAT) in fees paid to HSF for its work on the HSS and a total of £15m (£14m excluding VAT) for its work on Overturned Convictions. To your point at the Select Committee, these are still large sums and, as advised, it is worth noting that a significant proportion of the external legal fees were invested in the upfront design of the scheme and its principles, which are now in place.

So long as these schemes are managed by Post Office, we continue to take active steps to manage legal costs by bringing some redress activity, for example in Overturned Convictions and the HSS under £75,000 process, in-house. In doing so, Post Office will deliver a greater proportion of the overall case assessment work while retaining the independent mechanisms built into the schemes.

Moreover, as I outlined in my evidence, redress payments are now accelerating in volume – with thanks to the introduction of the £75,000 fixed-sum offer and steps we have since taken to automate parts of the fixed-sum offer process, like the processing and distribution of payments.

Anticipated Redress Payments by March 2025

To illustrate the extent of this acceleration, I noted that average monthly payout since May of this year to date on redress had moved from c. £5m to £45m and has capacity to reach an average of £68m per month. Overall, Post Office now has the capacity to deliver £570m of HSS redress to be paid by the end of March 2025.

This is a different figure to the one I gave in my evidence to Sir Wyn's Inquiry, when I stated that we expect to have paid out over £650m by the end of March 2025. The reason for this difference is that the figure provided to the Committee relates only to the HSS, while the figure I provided to the Inquiry includes redress related to total redress across all the schemes (including Overturned Convictions and other schemes). We continue to publish redress data related to the schemes administered by Post Office on our corporate website on a monthly basis.¹

HSS Forecast Assumptions

During the session, I offered to provide more information about our modelling assumptions. We currently operate under the assumption that 85% of eligible claimants will choose the £75,000 fixed-sum offer route. These assumptions are based on the applications we have received to date. Early indications of responses received since the launch of the fixed-sum offer option suggest that this forecast is holding true. We will continue to monitor this against actuals and update our forecast assumptions accordingly. Similarly, based on observed trends on total applications to date, we have assumed that 87% of people applying to the HSS will be deemed eligible.

There are, however, two variables to consider:

- 1) the number of respondents to the recent invitation to the HSS, as part of which we have written out to c.16,000 current and former postmasters to date with a further c.10,000 to go; and
- 2) the percentage of those applying that choose to take the fixed-sum offer option. These variables could both be impacted by a closure date announcement, as well as details of the Government's independent appeals process once it becomes available.

Requests for Information

During the session, the Committee asked whether Requests for Information (RfIs) to claimants are needlessly detailed or even designed to minimise claims based on evidence given by claimants. I apologise for this perception, which was absolutely not our intention.

When I explained that RfIs are intended to help improve claims by providing the best evidence possible, the Committee rightly challenged whether this intention is being communicated clearly to claimants. With this in mind, we have added the following wording to RfI letters (additions in italics):

"It's important to Post Office and the Independent Advisory Panel ("Panel") that we give you every opportunity to make the best claim possible. To do this, the Panel has asked us to request further information from you to enable it to make the fullest and fairest assessment of your claim. If you are able, please answer as many of the enclosed questions as possible. If you cannot give a precise answer, an approximation will help and the Panel will take it into account, even if you cannot answer everything. Thank you.

¹ <https://corporate.postoffice.co.uk/en/the-horizon-it-scandal/>

If you need any support in providing the information requested or with any of the questions, or if you think you will need more time to respond, please let us know by email or by post (details below)".

We hope these changes will clarify the purpose of the request and demonstrates our openness to feedback from all stakeholders, including the Committee.

Project Phoenix

As the Committee will know, Project Phoenix is a very important piece of work for Post Office.

The project reviews over 40 historical investigations where allegations have been made by postmasters of wrongdoing or poor conduct on the part of Post Office and/or Post Office employees (both current and past) during the Inquiry Human Impact Hearings. Although Project Phoenix is distinct from both the ongoing independent Inquiry and the work of the Metropolitan Police, where evidence of potential criminal wrongdoing has been found it has been referred on to the Police by the Phoenix Review Team. Post Office continues to fully support their work on these matters.

Towards the end of the session, you challenged Mr Railton on whether the money spent by Post Office on the work of Project Phoenix was a good use of money, quoting a figure of around £880,000. By way of clarification, the total budget for Project Phoenix is £884,000 but the lifetime spend to October 2024 is £532,000.

I understand the Committee may be interested in an update on the progress of Project Phoenix and such an update is being prepared for the closing submissions to Sir Wyn's Inquiry, which are due to take place in mid-December. I trust you understand our ongoing obligations to the Inquiry and hope you will accept an update on Project Phoenix at the same time as Sir Wyn.

HSS Legal Support

Ms Griffiths asked if I wanted to change the support offered by way of legal advice to HSS applicants, to which I responded, "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." To underline this, and to meet my commitment to share with the Committee where this was raised at the Inquiry, I refer you to page 146 line 18 to page 149 line 21 of the transcript of my own evidence to the Inquiry on 4th November 2024.²

For now, as I said during the session, Post Office offers to pay reasonable legal costs for applicants if they receive an offer and decide to challenge it. An applicant considering whether to accept a fixed sum offer is not entitled to the same support (a point that Post Office has repeatedly asked Government to consider). More generally, applicants are encouraged to take legal advice throughout the process in case they think it would be helpful. The scheme website states the following:³

"The Horizon Shortfall Scheme has been designed to be simple and user-friendly to avoid the need to incur costs of legal representation. Applicants are of course welcome to engage a lawyer or other professional advisor to provide independent representation at their own expense. Post Office will however help you with the reasonable costs of obtaining legal advice on an Offer if one is made to you. If so, full details will be

² <https://www.postofficehorizoninquiry.org.uk/hearings/phase-7-4-november-2024>

³ <https://www.onepostoffice.co.uk/scheme>

included in the Offer letter. Reasonable legal fees will also be reimbursed should you wish to dispute the Offer”.

Offer letters also explain to applicants that Post Office will pay for reasonable legal costs and, as I committed to in response to Ms Edwards, I attach a copy of a standard offer letter for your information. Lastly, where offers are disputed, the Dispute Resolution Team will also highlight the availability of legal advice to unrepresented applicants.

I hope this clarifies how the availability of legal fees is communicated to applicants. I welcome any feedback the Committee may have.

I hope this update is helpful. We are keen to support the Committee's ongoing work and remain open to feedback on improving the schemes so that both postmasters and the public have confidence in the redress that postmasters impacted by the Horizon Scandal so rightly deserve.

I remain committed to providing fast, full and fair redress to victims of this terrible scandal and will continue to update the Committee on progress on a regular basis.

Yours sincerely,

A large, bold, black 'GRO' signature is enclosed in a dashed rectangular box.

Simon Recaldin

Remediation Unit Director
Post Office Limited