

OFFICIAL-SENSITIVE: COMMERCIAL

2 November 2022

Lead official: Rob Brightwell GRO

# POST OFFICE HORIZON: GLO COMPENSATION

## Issue

1. The delivery mechanism for the additional compensation which we have promised for the "GLO" postmasters, who exposed the Post Office Horizon scandal in the High Court.

## Recommendation

2. Note the strong cross-party Parliamentary interest in this issue and the pressure from the Williams Inquiry for an announcement before its 8 December hearing.
3. Agree that (subject to approval by the BEIS Projects and Investments Committee) we should adopt a scheme based on facilitated dispute resolution processes/Alternative Dispute Resolution (ADR) to be delivered by BEIS.
4. Agree to delegate approval of the details to PIC, so that if PIC approves it can go straight to Treasury, to maximise chances of an announcement before 8 December.

## Background

5. Sub-postmasters were franchisees contractually required to cover any losses at their branches. In 2000, the Post Office introduced its Horizon accounting system which had bugs which led to false losses in branches. For 19 years, the Post Office made thousands of postmasters "repay" these losses. Many were dismissed; hundreds were prosecuted and jailed for theft or false accounting. Many decent people lost their reputation, suffered mental and physical health problems, bankrupted or even committed suicide.
6. In 2016 a group of 555 postmasters sued the Post Office under a Group Litigation Order (GLO). The High Court's 2019 findings exposed the scandal. The postmasters negotiated a settlement of £42.75m plus costs, but most of this went to the firm which had funded their litigation. They were left with only £10.5m. Under the settlement, the Historical Shortfall Scheme (HSS) was set up for other affected postmasters. That provided much more generous compensation. (Compensation for postmasters with overturned convictions (whether GLO members or not) is being negotiated separately)
7. Following a cross-party campaign, the then-Chancellor announced in March this year that we would provide finance to ensure that GLO postmasters' compensation was similar to that provided to others. Compensation will also meet claimants' reasonable legal costs. The Treasury have agreed reserve access of up to £80m for the costs of compensation subject to conditions, including that any scheme is delivered via POL. BEIS will need to find cover for the costs of delivery we are discussing this with Finance colleagues.
8. Minister Hunt consulted in September on options for a scheme developed in close partnership with the Justice for Sub-postmasters Alliance (JFSA). The options differ only in respect of process: all will deliver compensation similar to that offered by the HSS.
9. The Inquiry into the Horizon scandal has a further hearing on compensation issues on 8 December. Its Chair, Sir Wyn Williams, has said that he wants rapid progress on the GLO.

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scheme. We are putting a proposed scheme to BEIS's Projects and Investment Committee on 22 November. It will then need Treasury clearance. We hope to make an announcement before the 8 December hearing.

## Considerations

10. Postmasters' responses to the consultation overwhelmingly supported the scheme being a) delivered by BEIS rather than the Post Office; and b) based on ADR (notably including mediation) rather than one similar to the HSS.
11. We believe these are the best options for Government, too. To minimise the legal costs of the process to both sides we need early resolution of claims. That is much more achievable in a scheme which postmasters trust. They will trust ADR much more than a lawyer led litigation orientated approach if adopted for the scheme – and the GLO group of postmasters understandably do not trust anything run by the Post Office or its lawyers HSF. Furthermore, the JFSA's highly effective lobbying operation will strongly resist either the HSS-style scheme or a Post Office led one. We believe Treasury will waive their insistence on POL delivery in light of these points. **Do you share our preference for a BEIS-led, ADR-based scheme?**
12. To strengthen trust in the scheme we are developing proposals for an independent governance board – see separate submission. Compensation for reasonable legal costs will be based on a tariff being developed by independent costs draftsmen.
13. Like any major project, the scheme requires approval from BEIS's Projects and Investment Committee (PIC) and Treasury. PIC meets on 22 November so that we can announce it before the 8 December hearing – and avoid strong criticism from Williams, the media and postmasters – we need to give the Treasury as much time as possible. **Are you content for the scheme should go straight to Treasury if approved by PIC?**
14. Once the scheme is approved we will need to procure ADR specialists to facilitate claims resolution and external legal advice to BEIS before submission of claims in early Spring. Awards will follow as soon as possible: we should resolve smaller cases quickly, but complex ones will take many months. The legal base which we are using for the scheme means we can make no payments after August 2024. We aim to finish all payments well before that date.

## Presentation and handling

15. We will provide separate advice on a Statement announcing the scheme. In parallel with the Statement we will send details to the Inquiry. The overall message will be that Government is determined that postmasters affected by the Horizon scandal should get swift and fair compensation. Our proposed scheme reflects what they have asked for in consultation and has been developed in partnership with the JFSA. We are now determined to deliver it as quickly as possible – an important issue for the postmasters.
16. Minister Hollinrake has orally agreed that he and officials should brief the group of leading Parliamentary campaigners previously convened by Minister Hunt. This should further ease the Parliamentary reception.

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Recipient	To Note / Comment	To Approve / Decide
Secretary of State		X
Minister Hollinrake		X
Permanent Secretary	X	
Special Advisers (SpAds)	X	

Team		Outcome of conversation
Finance	Does the advice have spending implications, either for existing budgets or a pressure for future budgets? If the answer is 'yes' it <u>must</u> be cleared with Finance before being submitted to SpAds / Ministers.	Budget cover from HMT for compensation and HMT consent for the GLO group to be compensated is currently contingent on any scheme being delivered by POL rather than BEIS. The proposed approach will require HMT to remove this condition. HMT have agreed access to the reserve of up to £80m. The cost of compensation remains uncertain. The proposed approach is not anticipated to have an impact on the level of compensation paid. No budget has been allocated to date to fund the administration costs for the scheme of circa £5-7m which are likely to score to RDEL Admin.
Communications	Has the Communications team been consulted about the public presentation of the proposed course of action?	Details of the GLO delivery mechanism, in line with feedback from the consultation, is likely to be broadly welcomed by postmasters and we will frame this as further evidence of government delivering compensation fairly and quickly. We will provide full comms handling in due course, for an announcement prior to the Williams Inquiry, which will include a press notice and reactive Q&A.
Better Regulation	Impact assessments must be cleared by the better regulation team.	NA
Legal	Are there legal implications that Ministers need to be aware of, and what did BEIS legal advisers advise?	Not at this stage. Further detailed work remains to be undertaken.
Delivery	Does the proposal have delivery challenges associated with them and what did the Implementation and Delivery Directorate advise?	NA
Devolution & the Union	Does the proposal have devolution or Scotland/Wales/Northern Ireland implications? If so, have you considered these, and/or consulted the BEIS Devolution & the Union team?	NA – this is a reserved matter.
Other	Does the proposal have implications for other teams eg HR, Analysis, Chief Scientific Adviser, Parliamentary, commercial, digital functions? If so, use this table to record the outcome of consultation with the expert function(s).	Analysts and commercial experts are involved in the development of our detailed proposals.

**Comments for private secretary** This submission has been written as a first introduction to GLO issues, and so is suitable for early consideration by Ministers. We are required to finalise our

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business case to PIC by 11 November. A response by **8 November** would allow us to factor Ministers' comments into scheme design.

We are currently preparing a submission on Horizon issues more generally, including the Inquiry and other compensation schemes. This will be with you by 4 November. We have already briefed Minister Hollinrake in person on these wider issues, so he could look at this sub before the more general one. It may make sense for SoS and other readers to look at the two subs together.

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