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Emily Snow, **Lead official:**  
**GRO**

## Post Office Horizon: Inquiry and Compensation

### Issue

1. Update on the Post Office Horizon scandal, statutory inquiry and compensation.

### Recommendation

2. That you **note** the information provided.

### Background

3. The Horizon IT system was introduced in 1999 and recorded false shortfalls in branch accounts on which Post Office Ltd (POL) took action, including terminating postmaster contracts, making postmasters 're-pay' shortfalls and prosecutions (up until 2013).
4. Advice from Rob Brightwell on 2 November (Post Office Horizon: GLO compensation) sets out the background to the Group Litigation Order (GLO), which brought Horizon issues to light and led to a financial settlement. A timeline of the Horizon scandal is at Annex A.

### Post Office Horizon Inquiry

5. Chaired by Sir Wyn Williams, the statutory inquiry aims to "gather a clear account of the implementation and failings of the Horizon IT system at the Post Office over its lifetime. Public hearings have started and will hear evidence from past Ministers soon. We are fully committed to full cooperation with, and transparency to, the inquiry.
6. The Chair issued an update report on compensation issues in August. It included some criticisms of the Post Office's and Government's approach to compensation, with a particular focus on the timeliness of compensation and acceptance of late Historical Shortfall Scheme (HSS) applications. We already had work in hand on some of his criticisms, on which we updated Sir Wyn in October. He has called a further hearing on compensation for 8 December. In order to minimise further criticism we are preparing a further update, including further details of the GLO compensation scheme and commitments to future delivery.

### Compensation: Historical Shortfall Scheme (HSS)

7. A commitment from the GLO settlement was that POL would launch a scheme for non-GLO postmasters without convictions who had suffered financial losses due to Horizon shortfalls. The scheme received 2,350 eligible applications.
8. POL has made offers to 90% of existing claims, totalling offers worth £64m. The Government's ambition is that all offers will be made this calendar year, but there are some claims involving third parties such as insolvency cases, which will be challenging to resolve in this time. We will ensure there is a clear delivery pathway for any cases that remain.
9. We announced in October that the Government would extend its funding to POL to allow late applications into the scheme. Post Office are contacting 227 late claimants and encouraging others to apply. We will monitor progress on late applications.

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Compensation: Overturned Historical Convictions (OHC)

10. The Court of Appeal overturned 39 convictions in April 2021 in a landmark judgment. In total, 83 convictions have been overturned so far.
11. Government is providing funding for POL to reach settlements with postmasters with overturned convictions, including making interim payments of up to £163k (recently uplifted from £100k). 77 interim payments have been made to date, totalling £7.6m.
12. The first two test cases have been fully settled, but there is criticism that full and final compensation is proceeding slowly. Claimants' applications have not been submitted to POL as quickly as expected. Early Neutral Evaluation (ENE) (a means of reaching an agreement on quantum of damages) by Lord Dyson in July unblocked barriers to settlement for non-pecuniary claims<sup>1</sup>. POL has now received 41 non-pecuniary claims and made offers to 25, totalling over £6m in compensation offered to date. The priority for the remainder of the calendar year is to encourage claimants to make non-pecuniary claims and for Post Office to make offers on all of these swiftly. We have persuaded POL to make top-up payments of £63k if it seems that a claimant who has already received the interim payment of £100k will not have their non-pecuniary claim settled by the end of the year.
13. POL is considering streamlining its delivery of OHC compensation by moving more of the work 'in-house' (as opposed to its current delivery via its lawyers). This would align the delivery to a remediation model with use of principles and independent decision-makers. An operational process is currently being worked up for approval by the relevant POL and BEIS governance boards. We will update Ministers on this.

Compensation: Group Litigation Order (GLO)

14. In March 2022, the then Chancellor and BEIS Ministers announced that members of the GLO will receive further compensation similar to their non-GLO peers, in addition to the £10.5m from the Post Office via the December 2019 settlement. You have received separate advice on the delivery of the GLO scheme (Rob Brightwell, 2 November).

Compensation: Postmaster Detriment

15. This is a forthcoming scheme to provide compensation to postmasters who bring claims for not being remunerated by POL during a period of suspension, as well as other aspects of POL's contractual provisions that were found to be unlawful in the 2019 Horizon Common Issues judgment. You will receive separate advice on the announcement of this.

Related advice

16. We are working with DWP to secure a benefits disregard for all Horizon-related compensation, to ensure compensation does not affect claimants' eligibility for benefits. You are receiving separate advice on this.

**Presentation and handling**

17. Our central message on Horizon is that we are determined to ensure that everyone harmed by the scandal should get fair and prompt compensation; and that the Inquiry needs to get to the truth of what went wrong.

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<sup>1</sup> Pecuniary damages are financial damages (e.g. loss of earnings); non-pecuniary damages are non-financial damages (e.g. mental distress).

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**Annexes****18. Annex A: History of Horizon Litigation.****Annex A.****Horizon: timeline and litigation**

1. POL introduced Horizon, a new computerised accounting system, in 1999. It recorded shortfalls in branches that POL investigated and took action on such as terminating postmaster contracts and prosecutions (up until 2013).
2. In 2009 the “Justice for Subpostmaster Alliance” (JFSA) was formed, arguing that system errors caused the shortfalls. They formed a group of 555 postmasters who started High Court proceedings in 2016 under a Group Litigation Order (GLO). The High Court’s 2019 findings exposed the scandal.
3. **The Trials/Settlement timeline** The litigation was split into several trials:
  - March 2019: Judgment in the first “Common Issues” trial (on the contractual relationship between POL and postmasters) was highly critical of POL.
  - April/May 2019: POL attempted to have the judge recused and appeal the judgment – both of these were rejected.
  - April-July 2019: Second Trial on “Horizon Issues” was held.
  - July 2019: POL changed its legal team and adopted an approach to consider settlement.
  - 11 December 2019: Settlement was reached, with POL agreeing to pay £42.75m plus costs, alongside other commitments to strengthen the postmaster relationship, such as improvements to postmasters’ day-to-day interactions with POL. It subsequently became clear that only £10.5m of this settlement went to the 555 postmasters in the GLO group.
  - 16 December 2019: Judgment in the second “Horizon Issues” trial (on the reliability and function of Horizon) was handed down. Again this was very critical of POL.
  - As part of the GLO settlement, POL agreed to set up the Historical Shortfall Scheme (HSS) to compensate postmasters who had suffered financial losses due to repaying Horizon shortfalls.
4. The Horizon IT Inquiry was promised by the Prime Minister Boris Johnson in February 2020 and launched as a non-statutory inquiry in September 2020 with Sir Wyn Williams as Chair. After the landmark Court of Appeal judgment in April 2021, which overturned 39 Horizon-related convictions, the inquiry was put on a statutory footing.

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