

**URGENT QUESTION ON POST OFFICE LITIGATION**  
**JUDGEMENT**

Department: Department for Business, Energy and Industrial Strategy

SCS official responsible: Tom Aldred, UKGI

**GRO**

Policy leads: Stephen Clarke, UKGI

**GRO**

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**“Will the Minister/Secretary of State make a statement on the judgement handed down on the Post Office litigation on x”**

**Initial Answer:**

Today/ On XX March Mr Justice Fraser handed down judgement in the litigation case ‘Alan Bates and Others v Post Office Limited’.

In summary he found that [insert after judgement known]

While the Post Office is publicly-owned and Government sets its strategic direction, it operates as an independent, commercial business. As such, the relationship with its postmasters and the management of its IT systems are operational matters for Post Office Limited.

It's important to note that legal proceedings in this case have been underway since April 2018 and are scheduled to continue until at least March 2020 through four trials. The first “Common Issues” trial, looking at the contractual relationship between the Post Office and its Postmasters, concluded on 6 December 2018 and the judgement was handed down today/on XX.

The second “Horizon” Trial, looking at the integrity of the Horizon Point Of Sale system, will start on 11 March 2019. A third trial on 4 November 2019 will determine whether Post Office Limited breached any legal obligations to specific individual test Claimants, while a fourth trial in March 2020 will address issues relevant to a wider group of Claimants. Therefore, the outcome will only be clear once the overall trial process is concluded.

The legal defence of the ongoing litigation and the costs involved are being handled by Post Office Limited.

This judgement is complex and runs to [xx] pages. It will take some time for Post Office Limited to consider this in detail, including whether there are any grounds to appeal. Either party could seek leave to appeal, and have until XX to do so.

This remains a matter for the court and it is not appropriate for Government to comment further.

**[284 words]**

**Follow up to likely supplementary from questioner:**

The legal defence of the ongoing litigation is being handled by Post Office Limited. Both parties will consider whether they wish to lodge an appeal and have 21 days to do so. Post Office Limited believes that there is no merit to this case and it will not affect their ability to provide services.

As the case is ongoing, it would not be appropriate for the Government to comment further on it at this time.

Government committed in its 2017 manifesto to safeguard the post office network, protect and enhance the provision of rural services, recognising the key role post offices play in providing services to their communities.

There are over 11,500 post office branches in the UK, the largest retail network in the country. Since 2010, the number of branches has been at its most stable for decades.

Between 2010 and 2018 Government provided nearly £2 billion to maintain and modernise a branch network that meets nationwide access criteria and to invest in transformation of the business. We are investing a further £370 million from April 2018 to March 2021 to safeguard the network and invest in the future.

**[188 words]**

**Killer facts**

### Horizon

- Horizon is the electronic point of sale system **used across all 11,500 Post Office branches** to record and reconcile each transaction.
- The Horizon system is operated successfully daily by thousands of employees across the Post Office's **11,500 branches, with 47 million transactions every week.**
- Post Office estimates there have been half a million users of the Horizon system **since it was first introduced in 1999**; the claimants represent a tiny fraction of this number.

### Training and Support for Postmasters

- Post Office continually reviews and enhances training and support, with tools to help postmasters available 24/7.
- Training packages include in-branch support to provide new postmasters with 'live' experience.
- There are also two helplines with various levels of support depending on the nature of enquiries.

### Network Stability

- There are over **11,500** post office branches in the UK, the largest retail network in the country. Since 2010, the **number of branches has been at its most stable for decades.**
- Post Office Limited is actively looking for areas of the country where there is a demand for Post Office services, with **over 350 local branches opened since April 2017** in new locations.
- Access to branches is meeting the standards we set - **93% of the UK population** live within **one mile** of their nearest post office branch. **99% of the UK population lives within three miles** of a Post Office.
- When Labour entered office in 1997/98 there were 19,251 post offices. When they left in 2009/10, there were 11,905 – meaning **7,346 post offices closed under Labour's watch.**

### **Government Commitment to the Post Office Network**

- Government provided **nearly £2 billion for the period 2010 to 2018** to maintain and modernise a branch network that meets nationwide access criteria and to invest in transformation of the business.
- Government is investing a **further £370 million** of investment funding from April 2018 to March 2021 to safeguard the network and invest in its future.

## **Attacks and Rebuttals**

### ***Attack: will Post Office lodge an appeal against the judgement?***

- The legal defence of the ongoing litigation is being handled by Post Office Limited. Both parties will consider whether they wish to lodge an appeal and have 21 days to do so.

### ***Attack: The Horizon IT system is not fit for purpose?***

- The Horizon computer system is operated successfully by thousands of employees, postmasters and their staff to process 47 million transactions every week. The claimants represent a very small proportion of the half million users of the Horizon system since it was introduced in 1999.
- The second trial, due to start on 11 March, is intended to determine whether historically any errors in the Horizon system led to losses for postmasters. It is not appropriate for government to comment further at this stage.

### ***Attack: Did government fund Post Office's defence in this litigation?***

- No, the costs involved are being handled by Post Office Limited. The shareholder has specifically required that government funding is not used for this purpose.

### ***Attack: Will government give Post Office consent to spend more than £50m on this claim?***

- The costs involved in the legal case are being handled by Post Office Limited. According to the Post Office's Articles of Association, the Secretary of State's consent is required for "... the incurrence of a commitment or liability, or the payment of a sum, by any member of the group which is an amount in excess of £50,000,000."

### ***Attack: The first trial has concluded, so why won't government comment?***

- Formal legal proceedings have been underway since April 2018 and are scheduled to continue until at least March 2020 through four trials.
- This judgement relates only to the first stage of the ongoing trial process and the outcome will only be clear once the overall trial process is concluded.

- It would be inappropriate for Government to comment at this stage.

***Attack: Will this affect POL's ability to deliver services?***

- No. Post Office Limited believes that there is no merit to this case and it will not affect their ability to provide services.
- There will also be no change in Post Office's requirement to provide a nationwide network of 11,500 branches within specific geographical parameters.

***Attack: Is this why Paula Vennells resigned as CEO?***

- No. Paula Vennells' decision to step down as chief executive of Post Office had nothing to do with the High Court trial.
- After 12 years with Post Office, seven as chief executive, during which the business had a period of unprecedented success, Ms Vennells is moving to chair the Imperial College Healthcare Trust and take on a non-executive role with the Cabinet Office, in addition to her non-executive directorship at Morrisons.
- Paula Vennells was instrumental in turning Post Office from a business losing £120m of taxpayers' money to one making a profit while also improving services for customers.

***Attack: How can you justify the bonuses/pay rise for Post Office Limited executives?***

- Post Office has been turned from a business losing £120 million of taxpayers' money to one making a profit, while also maintaining a stable and modernised branch network.
- A significant proportion of Post Office executive pay is linked to the company's success in delivering a more financially sustainable Post Office, thus reducing costs for the taxpayer.
- The Post Office operates as a commercial business in competitive markets and executive pay is set at a level that ensures Post Office Limited can attract and retain the talent it requires.

***Attack: The judge has been highly critical of the Post Office. Does the Minister condone the Post Office's apparently aggressive behaviour and what is she doing to change the culture of the company towards people who serve it?***

- These claims have been in existence for a long time and we welcome the light shed on events by the legal process. The



claims are historic in nature and we believe that POL has made considerable progress and does not have a problem with its culture today.

## **Franchising**

### ***Attack: Crown branches are closing at record numbers up and down the country?***

- Crown post offices are not closing but being franchised, either on-site or by relocating to other high street locations.
- Moving Crown post offices to retail partners has helped reduce losses in this part of the network from £46 million per year in 2012 to break-even today.
- These changes will help keep Post Office services on our local high streets throughout the country and bring further investment and modernisation for customers.

### ***Attack: franchising is merely privatisation via the back door – why is the Government allowing this to happen?***

- The Government has no plans to privatise the Post Office and any move to do so by future governments would require the approval of Parliament.
- Franchising is nothing new but has been undertaken previously in many locations across the UK. Franchising has proven to be a successful way of sustaining Post Office services in these locations.
- Over 11,300 branches, almost 98% of the total network, are operating successfully on a franchise or agency basis.

### ***Attack: how can Post Office claim to consult when decisions to proceed with franchising have already been taken?***

- Franchising decisions are commercial ones for the Post Office to take, within the parameters set by government, to ensure we protect our valued national network.
- Prior to finalising its plans for a franchising, the Post Office runs local consultations to engage the local community and help shape its plans. This is in line with its Code of Practice on changes to the network agreed with Citizens Advice.
- Citizens Advice reported that the Post Office consultation process is increasingly effective, with improvements agreed in most cases, demonstrating that the Post Office listens to the community.



## **Postmaster Remuneration**

### ***Attack: What are you doing to help postmasters in relation to banking remuneration?***

- As banking services have developed and increased, I know the Post Office is looking at ways to better recognise the effort required by its postmasters for banking transactions to reflect the additional time and training taken from transactions.
- For example, last year Post Office increased remuneration twice for banking deposits to reflect the increased demand for services. Post Office also increased remuneration for mails, dangerous goods and bar coding data capture.
- However, Post Office Limited is not complacent and is working closely with the National Federation of Sub-Postmasters to look at ways to improve things further for postmasters, both in terms of remuneration and level of support for postmasters to run their business successfully.

### ***Attack: Will the Government reverse the harmful reductions in postmasters pay implemented by the Post Office?***

- While the Government sets the strategic direction for the Post Office, it allows the company the commercial freedom to deliver this strategy as an independent business.
- The Post Office has introduced automation and simplified transactions to deliver time and cost savings for postmasters.
- The Post Office wrote to Postmasters in April 2018, notifying them they will no longer be implementing the planned reduction in remuneration resulting from phase 2 of their simplification programme.
- This means that postmasters will further benefit from simpler and more efficient processes without any reduction in remuneration.

### ***Attack: Why if Post Office profits rose to £35 million, postmasters' pay was cut by £17 million?***

- With the modernisation of post offices through the Network Transformation programme, Post Office services are now provided alongside a wider retail offer rather than a traditional, stand-alone Post Office.
- As a result, new contracts for postmasters in modernised branches moved them away from fixed pay towards

transaction-based remuneration, to reflect the complementarity of the Post Office and the associated retail business.

- These new contracts could mean that in some cases postmasters' remuneration goes down. Yet at the same time the Post Office has increased remuneration rates for banking transactions and is committed to look at additional improvements.

***Attack: the Post Office does not care about its postmasters, but without postmasters there would be no network.***

- The Post Office cares deeply about all its staff and the thousand postmasters that play a key role in ensuring branches remain at the heart of communities across the UK.
- If postmasters fall on hard times, the National Federation of Sub-Postmasters, funded by Post Office Limited, can also provide financial support through a benevolent fund.