

# BIS | Department for Business Innovation & Skills

**Edward Davey MP**

Minister for Employment Relations,  
Consumer and Postal Affairs

Alan Bates

**GRO**

Our ref: 222481/222488

Your ref:

7 December 2010

*Dear Alan Bates,*

Thank you for your letters of 14 and 21 October, about Post Office Ltd (POL) and their Horizon system. I apologise for the delay in replying.

Following our meeting, the points you raised as Chairman of the Justice for Subpostmasters Alliance (JFSA) are being followed up on my behalf by officials as part of our dialogue with the company. However, as I made clear at the meeting, neither I nor the Department can intervene in cases which are sub judice or where court action had been determined, as in Mrs Misra's and Mrs Buffrey's cases.

I recognise that the core of the JFSA's concerns relates to the Horizon system to which you attribute the financial discrepancies and shortages which have led to a number of subpostmasters having their contracts terminated and subsequent court action. However POL continues to express full confidence in the integrity and robustness of the Horizon system and also categorically states that there is no remote access to the system or to individual branch terminals which would allow accounting records to be manipulated in any way. In addition, I understand that all system activity, down to the individual key stroke, is also recorded into a separate vaulted transaction file with every record encrypted and written to the log and with each record having a unique incrementing sequence number. This log is retained on a separate server independent of Horizon for at least seven years, cannot be altered in any way and all access to it is securely controlled. This approach is consistent with that of banking systems and provides a fully secure audit file which can show all system activity in a particular branch.

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In your letter of 14 October, you suggest that the wider introduction of the Post Office local (Essentials) model will wipe out that part of the investment of the subpostmaster relating to the original post office element of the business. I can assure you that, although the precise details have still to be finalised, there will be appropriate financial arrangements in place to reflect either the relocation of post office services or the transition from the current contract model to the new one at the same site. I would also emphasise that there will be no programme of post office closures.

*Yours,*  
**GRO**  
**GRO**