



Department for
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Darren Jones MP
Chair, Business Energy and Industrial Strategy Committee
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Dear Darren,

Post Office Horizon: Compensation and Costs Update

Your Committee has taken a strong interest in the Post Office and, in particular, issues relating to the Post Office Horizon IT system. I remain committed to keeping you updated on Horizon-related compensation delivery and associated costs on a regular basis. I wrote to you in November last year with the second of these updates and I am pleased to provide you with the next.

In Annex A, you will find a table covering compensation and legal and administrative costs for Overturned Historical Convictions, the Historical Shortfall Scheme, the Group Litigation Order (GLO) and the Horizon IT Inquiry, setting out both the costs-to-date and estimated outturn for these areas. This is an updated version of the table provided to the Committee in November last year. The figures reflect those in the recently published Post Office Annual Report.

Overturned Historical Convictions: Compensation

Progress continues to be made on claims received from those with overturned historical convictions. As of 7 March, Post Office had paid out over £17.5m in compensation. 84 convictions had been overturned. 79 of these had received interim payments, including initial payments of up to £163k each, totalling over £10.2m.

Post Office is currently handling non-pecuniary and pecuniary claims separately, in order to deliver compensation as quickly as possible to postmasters.

As of 7 March, 63 claims for non-pecuniary damages had been received, of which all but two (both submitted very recently) had received offers. 85% of these offers have been accepted, with the vast majority already paid, totalling £6.2m in addition to interim payments already received, and the remaining payments being processed.

As of 7 March, Post Office had made pecuniary settlement offers to 5 of the 8 postmasters who had submitted a pecuniary claim. 2 of these offers had been accepted. These postmasters have now reached full and final settlement with the Post Office.

In addition, two of the three postmasters whose applications for interim payments had previously been rejected have now reached full and final settlement with Post Office. They were reached via an independent mediation process. The third case remains in mediation.

There remain two individuals with overturned convictions who have not received an interim payment. One has decided not to apply for interim payment and has received an offer for non-pecuniary damages. The other is a postmaster with the most recently overturned conviction; the Post Office has invited them to apply for an interim payment.

The Department continues to encourage eligible postmasters (and their representatives) to submit their claims.

Historical Convictions: Appeals

I would also like to update the Committee on Post Office's progress in identifying those who may have a Horizon-related conviction and wish to appeal, so that no miscarriage of justice is missed.

The Department for Business and Trade is supporting the Post Office and other prosecutors in their objective to reach as many convicted postmasters as possible and encourage any with potentially unsafe convictions to lodge an appeal. The Criminal Cases Review Commission (CCRC) has conducted their own contact programme in relation to potential future appellants and has written to the Committee separately. Post Office also continues to support work to review convictions by non-Post Office prosecutors, including in Scotland where 6 cases have recently been referred to the High Court, and Northern Ireland where 2 appeals have been upheld.

Historical Shortfall Scheme

Good progress continues to be made on delivering compensation to postmasters through the Historical Shortfall Scheme. As of 7 March, Post Office had issued 2,319 offers, totalling around £82.9m in value. This means 96% of eligible claimants had received an offer of compensation. Post Office is working at pace to issue offers to the remaining 98 claimants as quickly as possible. Recognising the considerable period that these remaining claimants have been waiting to settle their claims, Post Office is making interim payments available both to those waiting for an initial offer and to those who are currently progressing through the Dispute Resolution Process.

Post Office is now also accepting eligible late applications into the scheme. As of 7 March, it had received 170 eligible late claims, which are currently being processed. 11 offers have been made to date.

The Department remains focused on supporting the delivery of full and fair compensation as quickly as possible and, as previously noted, Post Office continues to publish monthly updates on progress¹.

The Committee will have noted the recent media coverage of the HSS and the concerns that have been raised on bankruptcy claims and tax treatment.

¹ <https://corporate.postoffice.co.uk/en/historical-matters/historical-matters-progress/historical-shortfall-scheme-information-on-progress/>

I am cognisant of the difficulties faced by bankrupt claimants across the different areas of Post Office compensation. In the Historical Shortfall Scheme, Horizon-related bankruptcy costs that individuals have experienced can be claimed and the Post Office, following the recommendations of the Independent Advisory Panel, will consider these costs and make offers accordingly.

You will also be interested to see the update provided by the Insolvency Service on their role in Post Office compensation, which has been published on gov.uk². The Insolvency Service is working with postmasters to discuss the implications of bankruptcy and the options available to them, including support with an annulment application. The Insolvency Service is also engaging with creditors to see if they wish to pursue their right to the compensation.

On tax, the Post Office and Government want to see fair compensation for all victims and are looking at issues raised so that if any unfairness is identified in individual cases, this can be addressed.

The Committee has previously raised concerns around the level of offers received by postmasters under the HSS. The table in Annex B shows a breakdown of the average payments awarded during the HSS so far; this shows an uplift over time, reflecting the fact that the Panels have reviewed the more complex claims later in the process. I hope that the data provided will help to allay the Committee's concerns.

Group Litigation Order

On 30 June 2022 the Department announced interim payments to members of the GLO totalling £19.5m. The payments cover all members of the GLO apart from those who were convicted, whose claims are being handled separately (as mentioned above) as their convictions have been overturned³. The Department has made interim payments totalling £18.7m to date.

Excluding one claimant who has chosen not to participate at this stage, the remaining 26 payments relate to complex cases, for example recently deceased claimants (where a grant of probate or letters of administration must be obtained before payments can be made) and claims from dissolved companies. All bankrupt GLO members have now received an interim payment.

On 7 December 2022, the BEIS Secretary of State announced further details of the GLO scheme⁴ and invited postmasters to start working with legal representatives to begin the preparation of their claims. In line with the views of those who responded to our consultation, the scheme will follow an Alternative Dispute Resolution (ADR) model and will be administered by independent claims facilitators on behalf of the Department.

An Independent Advisory Board advises the Department's Ministers on the scheme. It is chaired by Professor Christopher Hodges, an academic who is an expert in ADR. Its members include Lord Arbuthnot and Rt Hon Kevan Jones MP (who both have long and distinguished records as campaigners for postmasters) and Professor Richard Moorhead

² <https://www.gov.uk/government/news/progress-update-on-compensation-for-postmasters-subject-to-bankruptcy-orders>

³ <https://questions-statements.parliament.uk/written-statements/detail/2022-06-30/hcws161>

⁴ <https://www.gov.uk/government/publications/compensation-scheme-for-group-litigation-order-case-postmasters>

(who leads Exeter University's Post Office Project⁵). The Advisory Board has now met twice and will continue to meet periodically to oversee delivery of the scheme. Reports of its discussions are published⁶.

I can also confirm that, thanks to an exemption, postmasters will not pay income tax, capital gains tax, or national insurance contributions on GLO compensation, including interim payments. Legislation has been tabled and is expected to be in place shortly.

The Government has agreed to meet the reasonable legal costs of GLO members applying to the scheme. Three firms of lawyers – Freeths, Howe & Co and Hudgells Solicitors – have agreed not to make any charges to claimants for work on this scheme: they will be paid by Government at rates which we have agreed with them, which were published⁷ on 10 February. Other firms can access the same rates. Government is urging claimants to engage a legal firm to assist them if they have not already done so but not to engage any firm which asks them for money now or later, or which offers a “no-win, no-fee”, conditional fee or litigation funding agreement. A registration form, which legal representatives will submit on claimants' behalf, was also published on 10 February. The Department intends to open the scheme for the submission of full applications within a few weeks.

Historical Remediation: Suspension Pay Scheme

In November, I wrote to you to notify the Committee that the Government was providing further support to Post Office to set up a new compensation scheme for postmasters who had previously been suspended without pay.

The scheme is now underway, and to date, the Post Office has made offers of compensation to 96 postmasters.

The Department is providing oversight to ensure that compensation is delivered quickly and effectively to affected postmasters and we will continue to keep the Committee updated on any key milestones.

Benefits Disregard

On 7 December 2022, the BEIS Secretary of State announced a benefits disregard for all Post Office and Horizon-related compensation. Once the secondary legislation for this disregard is in place, payments received by postmasters will no longer count towards the capital limit for means-tested benefits and pension credits and will therefore not affect their eligibility to claim for these. Government has committed to legislate at the earliest possible opportunity and work is underway to deliver this important legislation at pace.

As mentioned, I look forward to engaging further with the Committee on these important issues, including by providing further updates on progress and costs. Finally, I will continue to work with Post Office to deliver swift and fair compensation to those entitled to it.

⁵ <https://evidencebasedjustice.exeter.ac.uk/current-research-data/post-office-project/>

⁶ <https://www.gov.uk/government/groups/group-litigation-order-glo-compensation-scheme-advisory-board>

⁷ <https://www.gov.uk/government/publications/compensation-scheme-for-group-litigation-order-case-postmasters>

I am copying this letter to Sir Wyn Williams, Chair of the Post Office Horizon IT Inquiry, and sharing with Parliamentarians who have been active in campaigning on Horizon issues.

Yours ever,

A handwritten signature in black ink, appearing to read 'Kevin', written in a cursive style.

KEVIN HOLLINRAKE MP

Parliamentary Under Secretary of State – Department for Business and Trade

Annex A: Horizon-Related Costs

1) Government compensation for the Group Litigation Order (GLO)
<ul style="list-style-type: none">• Government committed to making an interim payment of compensation to eligible members of the GLO, who do not have a conviction, totalling £19.5m.• Government has contracted with Freeths LLP for administration of interim payments and provision of data and methodology. Total value of contract £150,000 plus VAT.
Costs to date (interim payments only, as of 7 March)
<ul style="list-style-type: none">• All but 27 interim payments had been made, with total spend of £18.7m.• Payments to date to Freeths LLP: £83,246 plus VAT.
2) Historical Shortfall Scheme (HSS)
<ul style="list-style-type: none">• £179m estimated cost of settlement compensation, of which £7m was paid out by March 2022, leaving a remaining provision of £172m, as set out in Post Office's 2021/22 Annual Report. This includes provision for late applications into the scheme.<ul style="list-style-type: none">○ This includes c.£87m from Post Office. BEIS has made the funds available to cover the remaining settlement amounts, estimated to be £93m.• £85m in Post Office legal and administrative costs. This covers the period of 2020/21 – 2024/25.<ul style="list-style-type: none">○ This includes design, administration, set-up running costs of the scheme, dispute resolution and an estimate upon closure of the scheme once all payments have been made.
Explanatory Notes
1) Settlement compensation: <ul style="list-style-type: none">• The actual settlement costs will depend on the compensation paid out under the scheme, which will be determined by the Independent Panel, and, if the initial offer is not accepted, through negotiation with claimants via alternative resolution methods.• An initial estimate of £233m of maximum budget cover from the Government for HSS compensation payments was published by the Department, as we are required to do, on the UK Subsidy Control Transparency database. This was an estimate of maximum budget cover potentially required from Government and is not an estimate of likely outturn in settlement costs.• The increase from the £150m estimated cost of settlement compensation in the Post Office's 2020/21 Annual Report to the figure of £179m here is a result of the addition of 502 late applications and the revision of a number of principles including termination losses.
Costs to date (as of 7 March 2023)
<ul style="list-style-type: none">• Offers have been made on 2,319 out of 2,417 eligible cases (96%). The total value of offers made is £82.9m. Of the 2,319 claimants who have received an offer 83% have accepted, with £57.9m paid.• £63m has been spent on legal and administrative costs to run the programme.• The Government has made no financial contributions to date.
3) Compensation for overturned convictions
Estimated outturn

- £780m is the estimated maximum potential spend for payment by the Department to cover both the interim payments of up to £163k (paid within 28 days of an overturned Horizon related conviction) and the final settlements.
- £493m estimated cost of settlement, of which £6m had been paid by March 2022, leaving a remaining provision of £487m, as set out in Post Office's 2021/22 Annual Report.
- £26m is the current forecast for all the associated legal and administrative costs to be covered by the Post Office. This covers the period of 2021/22 – 2024/25.

Explanatory Notes

1) Settlement compensation:

- Actual costs will be determined by the total number of overturned convictions and the individual settlements reached. The estimated maximum £780m figure was published by the Department, as we are required to do, on the UK Subsidy Control Transparency database broken down into maximum estimates of £94.4m to cover interim payments and £685.6m to cover final settlements. This was an estimate of maximum budget cover potentially required from Government and is not an estimate of likely outturn in settlement costs.
- Government funds will cover settlement payments and the claimants' reasonable legal costs only and will be paid to Post Office in arrears to fulfil interim payments and individual settlements where the offer made has been accepted by the claimant.

Costs to date (as of 7 March 2023)

- Initial interim payments had been made to 79 claimants, top up interim payments had been made to 29, and second interim payments have been made to 5, totalling over £10.2m.
- Post Office has paid £1.3m in full and final settlements to date.
- Excluding those settled in full and final settlements, Post Office has made 49 payments on non-pecuniary settlements, totalling £6m (in addition to interim payments already received).
- Government has reimbursed Post Office £15.2m to date.
- £11m been spent in Post Office legal and administrative costs for the programme to compensate those with overturned convictions.

4) Other Post Office costs (as of 7 March 2023)

Costs to date

- £37m on Post Office legal fees relating to legal obligations, response and support activities in relation to postmasters who wish to appeal their Horizon-related convictions.
 - This includes costs associated with identifying and contacting potential future appellants, discovery and disclosure of over 4.5 million documents and preparation and representation at hearings before the Court.
- £30m on other legal, project management, governance, operational reviews, improvement implementation and contracts, regarding Horizon-related issues and requirements.

Estimated outturn

- Costs in these areas for the remainder of the compensation settlement process cannot be reliably estimated at this time because any further such activity will largely be responsive and demand-led, e.g. as appeals against postmaster convictions are progressed.

5) Horizon IT Inquiry
Costs to date <ul style="list-style-type: none">• Government has spent £15.5m in running the independent Post Office Horizon IT Inquiry up to the end of February 2023.• Post Office has spent £47m in legal and administrative costs in responding to the Inquiry to February 2023.
Estimated outturn <ul style="list-style-type: none">• Government: Additional cost estimates for FY 2022/23 and FY2023/24 for the running cost of the Independent Post Office Horizon IT Inquiry are not yet finalised and will be provided in a future update to the BEIS Select Committee on Horizon-related costs.• Post Office's costs are also not yet finalised and will be provided in a future update to the BEIS Select Committee.

Annex B: Table showing HSS average payments by month

Month	Average Payment by Month (Net)	Cumulative Average Payment (Net)
Mar-21	£ 3,455.77	£ 3,455.77
Apr-21	£ 3,955.05	£ 3,844.76
May-21	£ 3,485.09	£ 3,800.51
Jun-21	£ 3,921.06	£ 3,805.64
Jul-21	£ 4,746.58	£ 3,859.03
Aug-21	£ 3,622.66	£ 3,843.87
Sep-21	£ 3,970.23	£ 3,852.71
Oct-21	£ 9,573.63	£ 4,267.58
Nov-21	£ 14,977.29	£ 4,584.91
Dec-21	£ 13,977.37	£ 5,676.34
Jan-22	£ 11,669.39	£ 6,415.80
Feb-22	£ 12,411.59	£ 7,141.64
Mar-22	£ 14,318.58	£ 7,865.85
Apr-22	£ 19,491.71	£ 9,092.10
May-22	£ 22,238.91	£ 10,887.99
Jun-22	£ 39,146.25	£ 13,350.14
Jul-22	£ 56,752.73	£ 17,206.74
Aug-22	£ 58,842.70	£ 20,553.24
Sep-22	£ 36,471.93	£ 21,514.97
Oct-22	£ 48,028.59	£ 23,347.78
Nov-22	£ 51,276.52	£ 24,716.99
Dec-22	£ 69,953.05	£ 26,368.12
Jan-23	£ 54,719.10	£ 27,535.42