

Post Office Ltd – Privileged and Confidential

POLB(12)13

POST OFFICE LTD BOARD

Significant Litigation Report

1. Significant Litigation Cases

- 1.1 Post Office Limited has received four letters before action from a firm acting for former subpostmasters who were dismissed when discrepancies between their branch accounts and cash positions were discovered.
- 1.2 Two of the claimants previously pleaded guilty to false accounting in criminal prosecutions brought by POL.
- 1.3 Each claimant alleges wrongful termination of contract (based on alleged failings in POL's processes and computer system) and seeks circa £150k in damages.
- 1.4 A further claim has been issued (although not served). POL is seeking to challenge a stay in respect of this claim, and will, if necessary, claim it is time-barred.
- 1.5 We may receive a large number of similar claims - possibly between 55 and 150 according to press reports.
- 1.6 The key legal issues arising are common to all the claims but the factual allegations are different.
- 1.7 Our strategy is to defend each claim robustly to deter future claims and we will be responding to each in full. At present we consider the legal claims to be weak and the damages claims to be inflated. We do not know what the ultimate value of these claims will be.

2. Summary

The considered legal view is that the claimants are unlikely to succeed.

Nevertheless, given the potentially high volume of claims that will be issued in the county courts, we are advised by our QC, Richard Morgan of Maitland Chambers that, "the quality of the judges would be unpredictable making it more likely that one or two cases might be lost".

In light of this litigation risk, and the fact that a large volume of claims may be received (that collectively may pose a material financial risk) it is prudent to flag these cases at this stage.

However, these claims are at an early stage and we do not know how many claims we will receive or what their ultimate value will be. We understand that it has therefore been decided that no provision will be made and that there is no disclosure requirement at the half year.

Susan Crichton
January 2012