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From: Theresa Iles [IMCEAEX-
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72BC-4825-9716-387136971F13] [GRO]
on behalf of Paula Vennells [GRO]
Sent: 11/02/2014 15:49:44
To: alasdairmarnoc [GRO]
CC: Neil McCausland [GRO]; Tim Franklin [GRO]; Alice Perkins [GRO]
Aujard [GRO]; Chris M Day [GRO]; Alwen Lyons [GRO]
[GRO]; Susannah Storey [GRO]; Mark R Davies [GRO]
Neil Hayward [GRO]; Paula Vennells [GRO]
Subject: ARC - Prosecutions Paper

Hi Alasdair

As I'm going to be travelling during the ARC call and may have problems with the signal, I thought I'd send you quick note in advance summarising my thoughts on the prosecutions paper.

In short, on balance I agree with the recommendation to pursue option B, at least for the time being.

As I set out in my email on Sunday, I do believe there are a number of factors which distinguish us from other financial institutions who are content not to pursue their own prosecutions – our scale, our unique relationship with sub-postmasters, the amount of cash that is handled by our branches (and in many cases by individuals who are not employees), our large number of vulnerable customers who are more easily defrauded, and the fact that public money is at stake.

While I can appreciate the attractiveness of a 'clean' option like C, the three key considerations in my mind are as follows:

- With the sub-postmaster mediation process underway and continued close interest from the media and MPs in all our actions in this area, any change of policy is likely to be closely scrutinised and over-interpreted – with the likely inference drawn that this is an admission that we were wrong to pursue prosecutions in the past. This is compounded by the fact that we will be shortly launching the procurement process for the replacement to the Horizon system – something which we were due to do now in any case, but the media will inevitably attempt to link the two stories and suggest this is an admission that we needed to fundamentally overhaul our systems and processes in the wake of the Second Sight report. This will overshadow the positive story we have about the actual changes we're making in the context of the Business Improvement Programme.
- Secondly, I do believe there is a need to have an effective deterrent effect and to protect our vulnerable customers. If the view is correct that the CPS is overstretched, then relying on the CPS is likely to be inadequate in this respect. By retaining the option to pursue prosecutions in certain circumstances, but putting in place effective filters to reduce substantially the number of cases which go down this route and outsourcing the associated investigatory activity, we will still be able to meet these objectives while extracting the PR and operating cost benefits of option C.
- Thirdly, I do not believe it is currently in the business interests (including those going through the mediation process) to put anything relating to this policy adjustment on our website, nor to communicate that adjustment proactively. The fewer cases coming through, the fact that fewer 'on hold' cases will proceed to prosecution and the improved ways of working should speak for themselves. We may want to revisit this view over time and the end of the mediation process would be a sensible moment to do that.

If the ARC agree with the overall conclusion in the paper, we should of course review the situation in 12 months and periodically thereafter to check that the filters are operating as effectively as intended and we're still striking the right balance between these difficult considerations.

I look forward to speaking later.

Paula