

PRIVATE AND CONFIDENTIAL: DRAFT LETTER FROM CEO TO JAMES ARBUTHNOT MP

[SALUTATION]

Complaint and Mediation Scheme

Thank you for the meeting in your office on 17 November. I am writing to set out the Post Office's position on the proposition put forward by Mr Letwin that there should be a "general presumption" that Post Office will agree, save in a few (undefined) exceptional cases, to mediate all cases where this is the recommendation of Second Sight, regardless of their merits and specific circumstances.

Having considered the proposition carefully and having discussed it as promised with my Board and Executive Committee, I have concluded that I cannot agree to it.

In my letter of 5 November, I set out in some detail the steps Post Office has taken to address the concerns you raised with me in early 2012 and I would like to take this opportunity to reiterate those points. That letter made clear my belief that Post Office has done at least as much, if not considerably more, than might reasonably be expected to address those concerns.

To summarise, Post Office Limited established the Scheme in good faith; Second Sight and JFSA were principal drivers of its design, the establishment of the Working Group and the recommendation for the appointment of its independent Chair; Post Office Limited committed to a comprehensive re-investigation of each and every case in the Scheme; and it pays not only for the administration of the Scheme as a whole but also provides Applicants with funding to enable them to engage professional advisers both to strengthen their case against Post Office Limited and to attend any resulting mediation.

To agree to a presumption that all cases should be mediated prior to any proper consideration of their merits would deprive the Working Group, which was set up so rigorously and carefully by ourselves, JFSA and Second Sight, of its most important role. It is difficult to see, in such circumstances, how it could continue.

I would point out that Post Office has not prevented any case from progressing through the Scheme as it was designed. Instead, and as a minimum, all cases will have the benefit of a thorough re-investigation and an independent review by Second Sight. A discussion at the Working Group about the resulting findings cannot be seen as an unreasonable requirement. You will also be aware that, by its very nature, mediation is a voluntary and consensual process and, accordingly, neither Applicants nor Post Office Limited are bound to proceed to mediation even where it is the Working Group's view that mediation is appropriate.

On a broader point, together with your colleagues, you appeared to suggest that the scope of the Scheme should now be broader than issues directly associated with the Applicants' complaints and dissatisfaction with the Horizon system and directly associated issues. Whilst I realise that it will come as a disappointment to some that no fault with the system has been identified in any of the now 114 cases that have been comprehensively re-

investigated by Post Office or as part of Second Sight's general work, the Scheme does not and will not extend beyond the Applicants' complaints and dissatisfaction with Horizon and associated issues.

In summary, it is my view that the Scheme and its processes are, in fact, operating broadly as they were designed to. We have found out much more about the underlying complaints of individual Applicants and, with the assistance of the Scheme, are seeking where it is possible and realistic to do so, to resolve those complaints. That said, the JFSA is increasingly unhappy with the overall results of the process and this is making it much more difficult for the Scheme to function effectively.

At a time when Post Office is working with thousands of postmasters across the UK to transform our business to benefit customers, I am very proud of the responsible manner which the business has acted on this matter.

I can assure you that Post Office will continue thoroughly to re-investigate every case that has been raised by Applicants and remains committed to trying to resolve, in a manner which is fair to all parties, the issues raised by Applicants to the Scheme. We are monitoring the overall effectiveness of the Scheme and will let you know if any changes become necessary.

Finally, while Post Office Limited has stuck rigorously to its obligations of confidentiality throughout this process, it is apparent from leaks to the media that the same cannot be said of all parties to the Scheme. In the circumstances, I can confirm that should you wish to provide a copy of this letter to the media, Post Office Limited will not object.

I am copying this letter to your fellow MPs, Andrew Bridgen, Oliver Letwin, Mike Wood, as well as to Alan Bates at JFSA.

[SALUTATION]