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BIS Select Committee: Post Office mediation scheme explored: Business, Innovation and Skills Committee explore alleged issues with Horizon IT system on 3 February

The Scheme

Delays

It has been more than 2 years since the inquiry started and you have hardly managed to resolve a single case – postmasters have been endlessly waiting for the findings in their cases, meaning some of them might be too late to enter an appeal against their conviction. How can it take so long to get to the bottom of this?

- ***Important to allow sufficient time for people to come forward***
- ***Rigorous investigations & reviews***
- ***Every stage – not just PO investigations – taking longer than originally planned***

Some of the cases are now resolved. Some were resolved at early stages and others have been resolved at other points in the Scheme, either before or during mediation. [Figures being finalised by Tony Hooper].

But the inquiry and investigation has taken longer than we or the other parties would like.

This is for a number of reasons, which Sir Anthony Hooper set out in a letter to the Minister of Postal Affairs in December and which is in the House Library: The progress of cases at every stage of the Scheme has taken longer than the Working Group would have wanted, including submissions by applicants or their professional advisors, Post Office's investigations, Second Sight's reviews and applicant responses to draft case reviews.

It was also very important to ensure that there was significant opportunity for people to put forward complaints once the Scheme was agreed. We actively encouraged people – as did the JFSA - to come forward. . We advertised in 2012 when we appointed Second Sight to look into the issues and again, when we established the Scheme in 2013, we advertised during a period of three months, through our communications channels including our web channels for postmasters and counter clerks.

A rigorous approach is essential. The allegations are extremely serious.

We have a 20 strong team dedicated to investigating every case in full, people who are employed full-time for retrieving and analysing documents and evidence including interview transcripts, telephone logs, and Horizon transaction data. We have produced 130 investigation reports on individual cases, typically - for each case - running to more than 20 pages, together with up to 80 separate pieces of evidences. For example, in one case, just one piece of evidence was 18,000 pages. All of this is provided to Second Sight for their own independent analysis and review.

The Scheme does not affect anyone's legal rights. Applicants have of course always had a right to take legal action. [See later in document for Q about time bar on cases]

MP and other complaints

If the Scheme is working why are there so many complaints about it – it is being called a sham, there are claims you are preventing postmasters from actually using it in the way agreed and 140 MPs have withdrawn their support for it - what is your answer to all those people?

- ***No predetermined outcomes***
- ***We agreed with SS, JFSA and MPs exactly what we would do and that is what we are doing***
- ***Listening to our critics and, in the circumstances, we are reflecting on how we move on***

Some cases have been resolved and the Scheme is working as it was agreed between Second Sight, JFSA – who were the main drivers of its design and the recommendation for the appointment of its independent Chair - and with the involvement of MPs.

We could not know what the inquiry and investigations would find. We established the inquiry with an entirely open mind and a determination to address any problems that were found and that is exactly what we are doing.

There could and should be no pre-determined outcomes – and that means either by Post Office or other parties involved. We have gone to great lengths to ensure impartiality. The Scheme is supervised by a Working Group with an independent Chair, Sir Anthony Hooper. We have provided funding to support each applicant in obtaining independent professional advice to build their case (£1500 for each applicant for the first stages of the Scheme and additional funding to prepare for and support mediation if this takes place).

Cases made public

Some of the allegations are extremely emotive. The public criticism of the Scheme that has taken place has been mainly in the context of a very small number of individual cases that have also been publicly discussed and that are progressing through the Scheme. We have, for example, been criticised for not compensating particular people or for not helping to overturn alleged wrongful convictions in particular cases, whilst these cases are still in fact being reinvestigated and independently reviewed through the Scheme.

Every case is different and we cannot allow publicity or other pressures to influence outcomes. Each case must be fairly assessed on its facts and substance and that is what is being done. It would have been wholly wrong for us to fail to address the allegations of flaws in Horizon but, equally, it would also be wrong for us to be asked to ignore clear evidence which shows the opposite.

Secrecy/Confidentiality

Even in the face of criticism and unsubstantiated allegations, we have been very firm that we will not breach the confidentiality of applicants. We have a responsibility to all applicants in the Scheme, not only to those who have chosen to speak to the media. Our position has been described publicly as one of “secrecy” but it is adherence to confidentiality and it is for good reason. It was agreed with the JFSA that an assurance of confidentiality was paramount to encourage people to come forward. It protects sensitive personal information of individual applicants, which might include for example details of ill-health or criminal convictions which the law requires to be treated with extra care. In addition, mediation itself –all mediations not just those resulting from this particular Scheme – is a confidential process. Confidentiality in mediation allows a full and frank exchange which makes resolution more likely. It could not possibly be right for mediation to be conducted publicly and, in any case, confidentiality is required by the independent mediator, CEDR.

The confidentiality arrangements are in line with their own Code of Conduct and with the European Code of Conduct for Mediators which the Civil Mediation Council requires all UK providers to observe to maintain accreditation. When Sir Anthony wrote to the Minister for Postal Affairs about Scheme progress in December he attached a letter from CEDR outlining confidentiality arrangements and this is also in the House Library.

Scheme process

The Scheme is a two-stage process. Each and every case is subject to thorough investigation and independent review and both the Post Office investigation report and Second's sight report are shared with the applicant and their professional advisor, along with all the evidence retrieved. Applicants have opportunities to comment on the draft final report by Second Sight, producing further evidence of their own if they wish - they can produce further evidence at any stage of the Scheme. Second Sight's final report of its findings in each case includes a recommendation about whether or not that case should be mediated.

The second stage of the Scheme is a decision about mediation and this, as set out in the original Scheme documentation, is part of the role of the Working Group. There is a face to face discussion and a vote by all parties in the Working Group with the Chair having a casting vote. Where the vote is in favour of mediation the cases pass to CEDR. Sir Anthony referenced disagreements within the Working Group as to whether cases should proceed to mediation in his letter to the Minister and there have been different views on some of the cases. But Post Office does not decide which cases should proceed. It is an impartially Chaired Working Group and there is a vote.

It was never agreed that every case would proceed to the mediation stage and this is also clear in the original Scheme documentation.

Mediation itself is a consensual process and either party can decline. It can be stopped or started at any point. But where a case reveals genuine and substantiated areas of dispute potentially capable of being resolved then we are taking part in mediation. From 24 cases so far recommended for mediation by the Working Group we have declined to mediate in 2. It is of course also open to applicants to decline mediation.

What MPs have been asking for

In November last year a proposition was put forward to the Post Office Chief Executive in a meeting with MPs that there should be a “general presumption” that we will agree, except in a few, undefined exceptional cases, to mediate all cases where this is the recommendation of Second Sight, regardless of the merits or specific circumstances. This change to the way the Scheme was agreed to work was carefully considered by the Chief Executive and discussed with the Post Office Board. The conclusion was that it could not be agreed to.

To agree to a presumption that all cases should be mediated prior to any proper consideration of their merits would deprive the Working Group, carefully set up by Post Office, JFSA and Second Sight, of its most important role and it would therefore be difficult for it to continue.

We committed to a comprehensive re-investigation of each and every case in the Scheme and not only provide funding for the administration of the Scheme as a whole but also to support applicants to enable them to engage professional advisers to build their cases.

Cases are progressing through the Scheme as it was designed, receiving, as a minimum the benefit of thorough investigation and independent review by Second Sight and a discussion at the Working Group about the resulting findings.

We see no reason to seek to change the process of the scheme retrospectively.

But are you therefore suggesting that Second Sight’s recommendation to mediate is irrelevant? Surely Post Office has significant influence – and a rather large number of lawyers from what we are told – in the Working Group that it is of course financing?

- *Scheme operating as agreed*
- *Impartiality of Scheme*

Post Office does not decide which cases proceed to the mediation stage. Second Sight’s conclusions and recommendations are discussed and the matter is then put to a vote, with the Chair having a casting vote. This is part of the role of the Working Group, agreed by all when it was set up.

The Working Group is comprised of representatives from Post Office, JFSA and Second Sight. Post Office has funded the review and the Scheme, including supporting applicants with funding to obtain independent professional advice, because of its determination to get to the bottom of the complaints. It is difficult to see how else it might be funded, other than by us. But we have been very careful to make sure that impartiality is built-in. That is why JFSA and Second Sight were the principal drivers of the design of the Scheme and the appointment of the independent Chair of the Working Group.

You agreed to include cases where people have been convicted of crime and pleaded guilty – so why have you reneged on that and now excluding them?

- *Scheme is operating as agreed – not excluding cases*

We are not excluding cases involving criminal convictions. These are a minority of cases in the Scheme but whether there is a criminal conviction or not and whether or not the applicant pleaded guilty, each and every case is being investigated and independently

reviewed in the same way. Each applicant and their professional advisor receives the Post Office's investigation report, Second Sight's draft and final reports and all the evidence that has been retrieved and examined.

Both Post Office and JFSA made very clear when the Scheme was established that it does not have the power to overturn criminal convictions – that can only be done through the Court process.

The JFSA advised on their website that, if individuals have a court finding against them, the Scheme will “consider that to some degree” but:

“you should enter a parallel scheme with a firm of criminal lawyers who will look into your case with a view to consider using the appeals court to overturn the findings against you.”

Alleged unsafe convictions

If there is any evidence found during reinvestigations which suggests that a conviction is unsafe or would help the defence, our duty of disclosure will be immediately engaged. We take this extremely seriously. There has been no evidence found so far to suggest that any conviction is unsafe but we are not complacent about this. We also contact anyone we are made aware of who has suggested they have or have seen evidence suggesting an unsafe conviction and ask that this be produced so that it can be acted upon. No such evidence has been produced so far. The Scheme is entirely voluntary and does not affect anyone's legal rights. Applicants can use the reports and evidence they are receiving from the Scheme to follow a legal route if they wish to do so.

Have you now lost confidence yourselves with the Scheme?

We have confidence in the process - which was agreed with Second Sight and JFSA - and in the investigations, which are rigorous. We have confidence in Second Sight's reports.

We are 100% committed to all cases being thoroughly investigated – we have now investigated all of them and Second Sight are continuing to complete their reviews of each case as they progress through the Scheme.

There is a question over how we proceed from here and we have to reflect on it

Do you still have complete confidence in Second Sight?

It has been important to an independent organisation or individual involved. Their reports are well-written and balanced. But there is a divergence of views about whether it is realistic to think that particular cases have a prospect of resolution through mediation.

Mediation

- ***Is a consensual process and entirely voluntary – it can be stopped or started at any time***
- ***An alternative to using the Courts to resolve a dispute and is actively encouraged by the Courts given its success in resolving disputes***

- ***Conducted by an independent mediator in controlled environment***
- ***Confidential so that there can be a full and frank exchange without risk of being misinterpreted publicly***
- ***Case specific because no two cases are the same and each must be considered on its facts***
- ***Not suitable for every case – the parties expectations might be too far apart or there is no realistic prospect of resolution***

Are you ruling out mediation for criminal cases?

- ***Every case is different – treated individually***

No – every case is different and considered on its merits.

Unless there is new evidence, it is difficult to see that there would be a prospect of resolution through mediation in cases that have already been decided through the Court process with all of the evidence disclosed to the defence. But every case is considered individually.

It is surely pointless having a mediation Scheme when Post Office refuses to mediate some of the most worrying cases, even when this is recommended by everyone else in the scheme working group?

- ***Cases have been and are being resolved***
- ***Declined mediation in 2 cases***
- ***Mediation is voluntary for both parties and is not the right route for every case***

Of 24 cases so far recommended for mediation and been passed from the Scheme to CEDR, we have declined to mediate 2. Mediation is a consensual process – either party can decline to take part.

It was never agreed with JFSA and Second Sight that every case would be mediated because it would be unrealistic to believe that there will always be a prospect of resolution through this route.

Every case is different and each is considered on its merits, but through establishing the Scheme we have provided support funding for each of the applicants to obtain professional advice to build their cases and they receive Second Sight's report, the Post Office investigation report and all of the evidence relevant to their case.

But James Arbuthnot MP says that you are objecting to mediation in 90 per cent of cases in the Working Group – even if they are proceeding to CEDR because you are out-voted. The Scheme documentation says mediation is “likely” in most cases – but haven't you in fact been trying to prevent it behind closed doors?

- ***Declined mediation in 2 cases***

The numbers speak for themselves. Of 24 cases so far recommended for mediation and been passed from the Scheme to CEDR, we have declined to mediate 2.

On what basis are you refusing to mediate cases that are recommended for it?

For mediation to be successful there must be a reasonable prospect of resolution. Where there is no evidence that Post Office is responsible for allegations in a complaint there is no reasonable prospect of resolution. It may be that the parties' expectations from a resolution are too far apart.

Are you deciding not to mediate some cases because, as has been reported you told the Chair of the Working Group, the compensation claims are simply too high?

- *Not a Compensation Scheme - no evidence Horizon has not worked as it should*
- *Every case is different and treated on merits*

This is not a compensation Scheme*. There is no evidence that Horizon has not worked as it should.

Every case is different and assessed on its merits. When cases are passed to CEDR from the Working Group, then Post Office – as a party to mediation – has to assess if there is a reasonable prospect of resolution. The applicant can, of course, do the same. If an applicant has a very high expectation of some form of large financial pay out when there is no evidence of any fault on Post Office's part, mediation is not likely to offer resolution. But Post Office has only declined to take part in mediation in two cases of the 24 recommended for this stage of the process by the working group. So we are demonstrably ready and willing to take part in mediation in cases where this is justifiable.

* The Scheme is for the investigation and review of complaints. It recommends whether or not a case should be mediated but mediation is a consensual process and it is up to each of the parties involved – Post Office and the applicant – to decide whether to take part. There is a variety of ways that individual complaints might then be resolved, depending on the circumstances of the case. Compensation might be a potential outcome but no outcome can be pre-determined.

Why can't you mediate all claims?

We have declined to mediate just 2 cases so far. It would not be fair to raise expectations of applicants where, after careful consideration of the case and the evidence and conclusions that have resulted from investigation and review, our view is that we cannot compromise. [An example might be a case where there is no dispute that the money was stolen – but every case is different].

Why have you paid compensation in some cases?

We have paid compensation in cases where we didn't get things right. There has been nothing, in the 2.5 years of inquiry and case investigations to suggest that Horizon has not been working as it should, but there are cases where we have found that we did not do all

we should have in areas of training and support. We have been continuing to improve those areas, learning from the investigations.

How much compensation have you paid?

Thousands of pounds, not millions [cannot give outcome of mediations, they are confidential]. Every case is different. Whilst Horizon has been found to have worked as it should after investigation of all the cases, there are cases where we have found we did not do all we should have in areas in our training or support of people.

Isn't it true that even in cases you are mediating you are continuing to bully postmasters, refusing compensation and even claiming that some of them still owe you money?

- ***Impartiality/ independence of Scheme – including independent mediator***

We are not pressuring anyone. We have paid compensation in cases where we did not get things right. We are like any organisation and we don't get things 100% right all the time. That has nothing to do with Horizon failing to work as it should because there is no evidence of that at all, but it is related to training and support – in some cases we have not provided the standard in these areas that we would want.

Mediation takes place with an experienced and independent mediator - Post Office rejects any assertions that people who take part are pressured in some way. The independent professional advisors of the applicants can attend – we extend funding to support this. It is entirely voluntary, does not affect legal rights and the purpose is of course to try to reach resolution.

The reason independent, well established and reputable mediation experts were appointed to conduct the mediations was specifically to ensure that the mediations are undertaken in line with best practice.

Every case is different and we have to assess on the facts and substance, with a full and frank discussion with the applicant and their professional advisors about how and why particular conclusions have been reached. There are a variety of ways that individual complaints might be resolved. We cannot discuss the details of cases without breaching not only the confidentiality of applicants but also the confidentiality agreement with CEDR, who must adhere to this to comply with various Codes of Conduct to assure their accreditation.

But are you, in any cases, still chasing or going to chase alleged debts?

- ***Scheme is about resolving complaints***

The Scheme's purpose is to investigate and review specific complaints. I cannot provide details of outcomes of mediation for reasons of confidentiality.

Your reputation and brand is being damaged – why have you done nothing to put the record straight and put across your own side of the story?

- ***Confidentiality is to protect applicants***

- ***Confidentiality in mediations is a requirement of the independent mediator***

In the face of unsubstantiated allegations and incorrect or selective information being put into the public domain, this has been difficult because we have of course wanted to put the record straight.

But publicity has mainly centred on or been in the context of a small number of individual cases. To put the record fully straight we would have to provide details, such as investigation findings, for those cases. We will not do so. Confidentiality was agreed as paramount when the Scheme was established and the JFSA fully supported this. It was important to encourage people to come forward with cases and they might not want to do so publicly.

The cases can involve very sensitive personal information – for example about ill-health, financial matters or criminal convictions.

For mediation itself, it is not a Post Office decision that it should be confidential, although we think it is right. It is something which the mediator requires because it is part of their Code of Conduct and is a requirement of the European Code of Conduct for Mediators which the Civil Mediation Council requires all UK providers to observe in order to maintain accreditation.

The confidentiality arrangements that are in place were agreed with the Scheme's Working Group. This is not something arbitrarily imposed by the Post Office.

[We are able to share some examples of cases with the Committee in a way that does not breach the confidentiality of people]

But why is there so much secrecy? Individuals' details can be protected but surely you should be open about the general work of the Scheme. Even other parties to the Scheme are not being told whether mediation is proving successful in any cases.

- ***No secrecy – confidentiality to protect people***

There is no secrecy about the Scheme but there is confidentiality, rightly, to protect individuals' personal information and mediation itself is a confidential process. It was agreed by all parties – including JFSA and Second Sight – that confidentiality was paramount in order to encourage applicants to come forward. It is also necessary to protect applicants' sensitive personal information which might include, for example, details of ill-health or criminal convictions which the law requires to be treated with extra care. In addition the confidentiality of mediations in the Scheme is not particular to this Scheme – it is inherent in all mediations and reflects best practice for this type of Alternative Dispute Resolution. CEDR, the independent organisation administering the mediations in the Scheme always requires mediating parties to sign a legally binding confidentiality agreement.

The original Scheme documentation made clear to applicants that they and the Post Office must endeavour to keep details of their case confidential and that all matters discussed in any actual mediation will be strictly confidential. As well as protecting personal information which should not be made public this is to permit a full and frank assessment and discussion of the issues to take place and it is in the interests of applicants. That requirement for confidentiality is, however, balanced by the fact that the Scheme and its Working Group was designed to be, and is, overseen by an independent Chair.

The confidentiality arrangements which CEDR has put in place and which were agreed by the Working Group are in line with CEDR's own Code of Conduct and the European Code of Conduct for Mediators which the Civil Mediation Authority requires all UK providers to observe in order to maintain accreditation.

The reason independent, well established and reputable mediation experts were appointed to conduct the mediations was specifically to ensure that the mediations are undertaken in line with best practice. As part of the mediation process offered by CEDR and accepted by the Working Group, all the parties – Post Office being only one – are required to sign a mediation agreement which binds them to confidentiality so that the parties are free to explore fully the issues raised. There is a letter from CEDR that sets this out and that has been placed in the Library of the House by the Minister of Postal Affairs.

Is it not true that MPs, who were instrumental in establishing the Scheme, have simply been kept in the dark whilst you have broken all the commitments you made to them?

- ***Scheme is operating as agreed with MPs***
- ***We have done what we said we would***

We have not broken commitments at all. The Scheme has operated as it was agreed. It was designed with the involvement of MPs and with the JFSA and Second Sight and we have been painstaking in ensuring that we have carried out our responsibilities as agreed. MPs are not represented in the Working Group – that was not part of the agreed design – but we are able to discuss, in confidence, individual cases involving their constituents with them, provided we have the constituent's consent. When any MPs and applicants have wished to do this, we have of course taken part. The Scheme documentation at the start made it clear to applicants that they could involve their MP. The Chief Executive has attended several meetings with James Arbuthnot MP and the group of MPs he was leading on the issue to discuss the progress of the Scheme

In November last year a proposition was put forward to the Post Office Chief Executive in a meeting with MPs that there should be a "general presumption" that we will agree, except in a few, undefined exceptional cases, to mediate all cases where this the recommendation of Second Sight, regardless of the merits or specific circumstances. This was carefully considered by the Chief Executive and discussed with the Post Office Board and the conclusion was that it could not be agreed to. To agree to a presumption that all cases should be mediated prior to any proper consideration of their merits would deprive the Working Group, set up by Post Office, JFSA and Second Sight, of its most important role and it would there be difficult for it to continue.

It would also unfairly restrict our decisions about participation in a voluntary process, namely the mediation itself.

There also appeared to be, at the same meeting, a suggestion that the scope of the Scheme should be broader. But the Scheme was established with the specific and targeted purpose of addressing each of the individual applicant's complaints and dissatisfaction with Horizon and associated issues. This focus on providing applicants with a platform to set out their specific complaints to us was important given that Second Sight's initial inquiry and report, which had taken a year and found no systemic problems with Horizon, but suggest that our training and support had failed at times.

Our position on these points is that we 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. We committed to a comprehensive re-investigation of each and every case in the Scheme and pay, not only for the administration of the Scheme as a whole but also provides applicants with funding to enable them to engage professional advisers to support them in all relevant stages of the process. Cases are progressing through the Scheme as it was designed, receiving, as a minimum the benefit of thorough investigation and independent review by Second Sight – which are shared with the applicant - and a discussion at the Working Group about the resulting findings.

Regarding broadening the Scope, we have now completed the comprehensive investigations of all the cases in the Scheme (at the time of the meeting we had completed 119) and no fault with Horizon has been identified in any of these.

That is welcome reassurance for the our postmasters and counter clerks throughout the country and for all our customers. It does not suggest in any way that the Scheme is failing to meet the objectives that were set for it by all involved, not just Post Office. There is, therefore, simply no reason to expand the Scope of the scheme retrospectively. It is designed to cover every issue raised by applicants.

Your own independent consultants claim that you are being obstructive and preventing them from gaining the information they need – isn't this clear evidence you are trying to cover up the truth about these cases?

- ***Impartiality/ Independence of Scheme***
- ***All information relating to the complaints is being provided***

We reject this – the position is quite the opposite. If there were a problem we would want to identify it and correct it as quickly, fairly and effectively as we possibly could. The computer system is used by 78,000 people and, every day, processes six million transactions for our customers - it is in our interests that people have confidence in that system so if a problem was found we would want to be very transparent about putting it right.

We have provided a huge amount of information to Second Sight, not just about Horizon but about a wide range of business processes and other matters , where these have a bearing on the case investigations. This runs to hundreds of thousands of pages.

For example we have produced over 130 investigation reports on the individual cases in the Scheme, each typically running to over 20 pages in length and with up to 80 pages pieces of supporting evidence. That evidence can also be a substantial amount of information – there is an example of one document running to 18,000 pages being supplied in one case.

Part 2 Report

In August 2014 a briefing report (known as the Part 2 Report) was sent as a confidential document to a number of applicants and their advisors, as well as to Post Office. The purpose of the report was to describe and expand on common issues identified by Second Sight as being raised by multiple applicants, the aim being to provide general information that could then be applied in specific cases. Post Office was unable to endorse this report because it contained inaccuracies and important omissions. It released a reply detailing its position on the issues raised in the Part 2 report in September 2014, also sent to relevant applicants and advisors.

Within Second Sight's Part 2 Report, several issues were said to require further investigation.

We are providing Second Sight with the information asked for – from 109 of the latest questions received on very complex issues, we have answered the overwhelming majority. There are still around a dozen that we are looking into and working with SS to answer

Questions which are relevant to cases in the Scheme are all being answered.

We understand that you are saying to Second Sight that subpostmaster contracts are “out of scope” but how can this be when there are so many complaints about them?

- ***Scheme is to investigate individual complaints***

Where an applicant has raised an issue about their contract we are addressing this as part of our investigation into their complaint.

But the inquiry is about Horizon and associated issues. It is not about the generalised principles of contracts which, as accountants, are outside of Second Sight's area of expertise.

Second Sight say that you have changed their terms of engagement to narrow the scope of their investigations – is this true?

- ***Scheme is to investigate individual complaints***
- ***Doing exactly what was agreed and what we said we would do***

No. This is a focussed inquiry about Horizon and associated issues, relating to specific complaints raised. The Scheme is operating as agreed between ourselves, JFSA and Second Sight with the involvement of MPs and this is set out in the original Scheme documentation.

We have now completed investigations into all the cases in the Scheme and no fault with Horizon has been identified, which is welcome reassurance for our people and our customers, clients and partners .

We have a duty to ensure that this work is focussed on the complaints people have raised. It is not about areas of the business or processes which have not been complained about and which have no bearing on the complaints. This is not a review of Post Office's business model, nor is it an inquiry into every or any aspect and process of the business without there being a direct bearing on the complaints put forward. No organisation can allow open-ended inquiries without any sort of limitation on time and scope. It is also worth underlining that Post Office is subject to scrutiny through legal regulatory, commercial and compliance requirements and employs other independent organisations, such as auditors, for that purpose.

There might have been miscarriages of justice so how can anything that could reveal that be out of scope in this inquiry?

- ***Scheme is to investigate individual complaints***

Substantial supporting source documentation is provided with each and every investigation report.. We have provided a huge amount of information to Second Sight, not just about Horizon but about a wide range of business processes and other matters where these have a potential bearing on the cases. This runs to hundreds of thousands of pages. For example we have produced over 130 investigation reports on the individual cases in the Scheme, each typically running to over 20 pages in length and with up to 80 pages pieces of supporting evidence. That evidence can also be a substantial amount of information – there is an example of one piece of evidence of a document of 18,000 pages being supplied.

Post Office is keenly aware of its duty as a prosecutor to disclose any information which might support a defence or undermine a prosecution, which continues after a prosecution is completed. It has taken the steps it has through the Scheme with this very important principle firmly in mind. In the original Scheme documentation applicants were informed:

“If at any stage during the scheme new information comes to light that might reasonably be considered capable of undermining the case for a prosecution or of assisting the case for the defence, Post Office has a duty to notify you and your defence lawyers. You may then choose whether to use that new information to appeal your conviction or sentence.”

Post Office also writes to everyone who has suggested that they have or have seen evidence that a conviction is unsafe and asks them to disclose that evidence so that it can be acted on. To date no-one has provided any such evidence but if it were to come forward Post Office will address it.

There are apparently hundreds more potential cases but you closed the Scheme last November so these postmasters have no opportunity to raise their complaint and get an independent review – surely that is wrong and unfair?

- ***Inquiry started in 2012 - there has been 2.5 years for people to come forward***

We encouraged people to come forward for a significant period – firstly in 2012 when Second Sight was appointed and again, when the Scheme was established we advertised, as did the JFSA, during a period of three months.

The claim that there is a large number of other cases is not borne out – very few people have, in reality, come forward outside of the Scheme. Any postmaster or former postmaster can bring a complaint to us and we will investigate.

How much money has actually gone missing and how much have postmasters had to pay you back from their own pockets?

- *Horizon has been working as it should*
- *Every case is different*

Every case is different and amounts involved vary, as do the circumstances regarding any repayments.

How much public money has been spent on this Scheme so far and how much is the whole inquiry and Scheme likely to cost by the time it ends?

- *We took responsible actions to get to bottom of very serious allegations*

Post Office has, so far, spent £5 million on the inquiry and the Scheme over the past 2.5 years. The allegations are of such a serious nature and the integrity of our computer system is so fundamental to our people in Post Office branches serving communities throughout the country that it was essential that responsible and appropriate action was taken to get to the bottom of it.

[If this line of questioning goes further]: There were allegations about the integrity of a system that is relied upon by our people and our customers in communities throughout the country. We would certainly have been, rightly, heavily criticised if we had not taken these allegations very seriously indeed and to do so – to instigate an independent inquiry and subsequently set up a Scheme to investigate and independently review cases individually – costs a significant amount of money.

When there was some public criticism of Post Office paying for Second Sight, at the start of the review in 2012, we were given credit for the fact that we were prepared to do so by James Arbuthnot MP who said that the Government would not have paid money from somewhere else for this.

For background reference: James Arbuthnot (on Nick Wallis blog): - But one thing I would challenge you on, namely the payment by the Post Office for the investigation by Second Sight. The very fact that they were prepared to do that suggested to me that they did want, perhaps against their own apparent interest, to resolve the matter for the good of everyone, themselves included. I thought that was creditable.

And someone had to pay for it. I wasn't going to, the Government wouldn't have forked out money from somewhere else to do so, and the Post Office offered to do so despite the risk involved to their reputation. That does contrast (well, IMHO) with the cover ups we've seen elsewhere in the public sector.

What's the breakdown of the £5 million spent – how much has gone on lawyers' fees?

- ***We have spent money to ensure independence and impartiality***
- ***We have supported scheme applicants with funding***

I can't provide a breakdown because it would breach commercial confidentiality and compromise supplier engagement. But the money has been spent on ensuring an independent inquiry and reviews to get to the bottom of the issues.

Why have you spent so much money on a scheme rather than a payment to subpostmasters?

- ***Horizon is the system depended on by our people, customers, clients,***
- ***Confidence essential – provides vital services to the nation***

Horizon is the system at the heart of our business, being used by 78,000 people working in our network to process, each day, six million transactions. It is used by major retailers such as Asda and WH Smith running Post Offices. It is depended upon to deliver services, such as benefits payments for the DWP and banking services for high street banks for millions of people in communities throughout the country. It was right and it was essential to conduct a proper inquiry to get to the bottom of allegations that the system is flawed.

It is welcome reassurance for all our people and our customers and clients that Horizon is working as it should.

The cases are all different and therefore each is assessed on its merits. In some cases we have found out that we have not provided the standard of training and support that we would want to do and we are addressing that for the people concerned. In some cases Post Office bears no responsibility for the complaints raised.

We have taken a fair, correct and proportionate approach to the matter – we have gone in fact above and beyond what most companies would do but, given the seriousness of the allegations, we were right to do so..

You committed to making sure that there would be an independent way for postmasters to get disputes resolved in the future – will you still do that?

- ***We have gone beyond what most companies would do***
- ***Horizon is working as it should***
- ***No pre-determined outcomes – but assessment must be in context***

We have done more than most companies would do but we were right to do so, given the serious nature of the allegations. We instigated an independent inquiry which found no evidence that Horizon was not working as it should. But it raised concerns about training and support in some cases and we established the Scheme to ensure there was an opportunity for people to raise individual complaints.

We provided funding to enable them to obtain independent professional advice. Each and every case has been investigated and is being independently reviewed. There remains no evidence that Horizon has been at fault in any of these cases, but we are mediating and, if appropriate, compensating people where there are genuine and substantiated complaints about the standard of support we provided in their case.

There could be no pre-determined outcomes from the review and investigations – we could not commit to a definitive future plan in this regard. We have taken action very quickly on findings as they have emerged, for example making further improvements to training and support which were raised as areas for concern in some cases in Second Sight's 2013 report.

But we need to assess in context. 150 complaints were put forward into the Scheme. Some of these are now resolved, we are continuing to mediate cases where there is a reasonable prospect of resolution. There are [x] cases remaining in the Scheme... There have been a very small number of concerns raised outside of the Scheme, which we have investigated separately, as we would always do as part of our responsibilities for a huge network. There have been no Horizon flaws found in any of these cases either.

All of this is in the context of nearly 500,000 users of Horizon since it was introduced in Post Office branches of all sizes all over the country, from small independent branches to those run in franchise partnerships with big retailers such as WH Smith, Tesco, McColls and Asda.

Postmasters can raise concerns about Horizon or any other area of Post Office business directly with us and there are processes in place for them to do so. We also, following Second Sight's report in 2013, continued to improve training and support and we set up a branch user forum as a way for postmasters and others to raise issues and insights around business processes, training and support and to feed into the thinking of the organisation at the highest level.

Scheme Investigations and SS case reviews

You have clearly been trying to fetter the independence of Second Sight – you refused to endorse a much leaked confidential report designed to help people in the Scheme and are you not trying to prevent or at least heavily influence the final report they plan to publish in March?

- ***Independence and impartiality of Scheme***
- ***We have worked on facts and substance – good and bad***

We would not have taken the approach and the actions we have if we did not want and intend independence.

We have been very clear that an investigation should provide facts – good or bad - and opinions which are reasoned and evidenced-based we would take whatever action proved necessary .

Post Office did not endorse the confidential document because it was inaccurate and it omitted information that is important for applicants.

The purpose of the document (known as the Part Two Report) was to describe and expand on issues identified by Second Sight as being common to multiple applicants. The aim was to provide general information that could then be applied in specific cases.

To correct inaccuracies and provide information that the report omitted, we produced a document setting out our detailed position on the issues raised and this is also sent to applicants.

There is significant doubt that Post Office is truly revealing all the documents and evidence needed for these cases to be properly investigated and reviewed – is it true that documents have been and are still being destroyed?

We are certainly not destroying any documents we hold that are relevant to the cases in the Scheme. We have taken great care about this. Some of the cases in the Scheme date back many years – and our document retention policy is, in most instances, seven years. However, some records are retrieved that do go back further than this. Each and every case is investigated in the same way - we search for the relevant available documents and we make the same searches in each case. We do not assume that we will not have certain records after seven years – we check each and every time.

For every case there is a check list of documents so that it can be clearly seen by Second Sight, the applicants and their professional advisors exactly which records have been searched for and which have been retrieved.

It seems that in many of the cases the conclusion being reached is that it is not actually possible to know where the money has gone – so how can you possibly keep asserting that there is no problem with Horizon? The truth is that the investigations are not revealing the cause of these losses at all.

- ***2.5 years of investigation – no evidence in any of the cases that Horizon has not worked as it should***

We have now completed our investigations and there are no cases – none at all – in which there is any evidence that suggests that Horizon has not worked as it should.

Whilst we cannot go into detail about individual cases – and they are all different - there is clear evidence about the most likely cause or causes of losses in many of the cases.

It can be more difficult to investigate very old cases but Post Office examines all the information that it can obtain in all cases and passes to Second Sight to review and make conclusions that are possible on the available evidence.

In almost every case you are challenging Second Sight's findings and conclusions in some way – do you have no confidence in the consultants you appointed?

- ***Independence/ impartiality of Scheme***

Part of the process is for Post Office, as well as the applicant, to comment on Second Sight's draft report. But Second Sight are not obliged to accept the comments or reflect them in their final report. This is a necessary part of the process so that both Post Office and the applicant can challenge if they consider any information or conclusion is incorrect.

Cases

Is it true that not only have Post Office actions led to people losing their jobs, being bankrupted and some going to prison, they have also been the cause of tragic suicides?

- ***No-one could be without sympathy***
- ***Does not follow personal events are consequence of Horizon***

This is, of course a very emotive subject– people who have experienced extremely difficult times in their lives. No-one could be without sympathy.

But, emotive though it is, it does not follow that very sad events that have happened to some people are a consequence of Horizon not working as it should.

Do you accept that the Post Office has caused these postmasters rather more than “lifestyle” problems?

- ***No-one could be without sympathy***
- ***Does not follow personal events are consequence of Horizon***

It is very difficult to find the right words when asked about people who have experienced difficult times in their lives because of course no-one could be without sympathy. But it does not follow that very sad events that have happened to some people are a consequence of Horizon not working as it should..

What is your answer about at least 150 people, many of whom had worked for you for many years and had led unblemished lives, suddenly deciding to turn to crime?

- ***Minority of cases involve criminal convictions***
- ***Prosecutions are very rare***

There has never been any basis for this assertion. There is a minority of applicants with criminal convictions in the Scheme and the cases, which are different, span more than a decade. Post Office prosecutions are rare.

But 150 is still a lot of people to have all experienced similar issues with the system?

We would obviously prefer for there to have been no postmasters with concerns. But this is 150 individuals who have experienced problems at different periods in their cases over more than a decade, with nearly half a million people using Horizon during that time. The

cases are all different and we set up the Scheme so that these individual complaints could be investigated and reviewed to get to the bottom of them.

Horizon system

You have to accept that Horizon does not always work as it should – there are known instances of problems – is that not a fact?

- ***No evidence Horizon is not working as it should***

Like any computer system in a large company, there are incidents. No-one has ever denied that. But after more than 2.5 years of investigation and review there is no evidence – none at all – that it is not working at it should and recording transactions correctly.

[If pressed about 'glitches' or 'bugs' in the system]: As part of Second Sight's review we voluntarily provided information on two anomalies involving a receipts/ payments mismatch and historic accounting entries. Both of these were found by the Post Office and voluntarily communicated to Second Sight.

Modification had already been made to rectify these issues and all subpostmasters involved were informed.

Many postmasters say they struggle to check discrepancies because there is no proper audit trail – why can you not give them a proper explanation when they query losses?

- ***Thousands of postmasters use Horizon successfully***

Postmasters are enabled with the information they need to run their accounts and the overwhelming majority do this successfully. Horizon tracks every transaction made in a Post Office branch and logs the levels of stock and cash held. Branches have always had access to line by line transaction data each day and can access data for 60 days (it was 42 days at the time of some of the cases)

If at the end of a day, a branch produces a cash declaration that shows a discrepancy then the branch will have access to a range of reports on different products and transactions to investigate the possible causes, including a line by line listing of all transactions that day. This also applies at the end of a trading period.

An established process exists which provides an avenue for postmasters to dispute transactions by asking Post Office to settle the account centrally and, where appropriate, trigger an investigation into the reasons for a discrepancy, enabling the postmaster to continue trading without interruption.

If Horizon is working so well, why are you replacing it?

- ***Growing business with banks and other clients***
- ***Transformation and modernisation***

Horizon is operating as it should, but the Post Office is changing as a business. Separating from the Royal Mail and becoming an independent business

meant we must create our own IT systems and platforms. We must adapt to the needs of a new generation of customers in order to help grow our business.

We want customers to be able to access our services how and where they want to. Our investment in IT services will support this. This is why we are refreshing and modernising all our I.T. functions, so that it will give our staff and branch network quicker and easier processes, and deliver an efficient and improved service for customers. We are in the process of securing new suppliers for several I.T. functions, including our point of sale functions.

As the majority of contracts are due to expire soon now is the right time to make these changes.

For example when systems are in place a customer will for example, be able to start some transaction with the Post Office on-line and finish it off from their mobile phone or in branch, making our services quick and convenient.

.You're outsourcing to Manila – how can that be an improvement?

Our internal IT helpdesk for postmasters and employees has been outsourced and feedback from staff surveys about the service is that it has improved as a result. The helpdesk is for technical queries, not queries about financial or other transactions.

Like any other business we continue to improve our IT - it's part of the transformation of our business, supporting the modernisation of 11,500 Post Offices, creating more opening hours and significantly improving services.

Will you commit to no further outsourcing?

No responsible CEO would make that sort of commitment.

Our people, according to the surveys we've done, have found service has improved following the outsourcing of our internal helpdesk.

We also have responsibility for getting best possible value for money.

Some postmasters appear to have panicked and just agreed with Horizon's figures to ensure they could trade the next day – isn't it the case that the system itself was pressuring some people to falsely account?

- *Thousands of postmasters use Horizon successfully*

No. Postmasters have a clear choice to accept the discrepancy on the grounds that they are responsible for it or to dispute it for investigation. They do not have to accept the Horizon balance in order to continue trading.

Horizon was introduced over a decade ago – even with upgrading it is surely no longer fit for purpose – but what incentive do you have for improving the situation when your postmasters take all the risk?

- ***Postmasters are not responsible for all losses***
- ***Balance of responsibilities, similar to franchisee***

Postmasters are not responsible for all losses in their branches in their branches if these occur.

Postmasters are independent business people, with a similar position to franchisees in other sectors. Our postmasters are often running Post Offices within their other business, such as a local shop and a contract with us can help to bring footfall into these and benefit the local community.

There is a balance of responsibilities between Post Office and the postmaster. The contracts provide for postmasters to retain any surpluses and postmasters are only responsible for the losses caused by those they employ or by their own negligence, carelessness or error. But it is important to note that human errors can be and often are corrected and there are processes in place to enable postmasters to do this.

Postmasters are not liable for losses caused by, for example, external fraud or losses in other circumstances beyond their control, provided they have followed correct procedures.

Remote Access

There are very concerning stories about remote access to Horizon that might have contributed or been the reason for unexplained changes being made to postmasters accounts – how do you explain changes to accounts at times when postmasters could not possibly have had access themselves?

- ***Transaction data in branch accounts can't be changed remotely***
- ***No evidence of malicious tampering***

There is very selective, misleading and incorrect information being put into the public domain about a number of cases. Much of this is not actually included in any allegations or complaints put to us by applicants and also changes in nature and detail.

Post Office cannot breach the privacy and confidentiality of individual applicants by discussing their cases, even in the face of unsubstantiated, baseless or malicious allegations. To do so would lead to us being accused of breaching confidentiality and undermining the Scheme and mediation process. So we have been limited in the public comment we can make.

But there is no functionality in Horizon for either a branch, Post Office or Fujitsu to edit, manipulate or remove transaction data once it has been recorded in a branch's accounts. It is possible for Fujitsu to view branch data in order to provide support and conduct maintenance but this does not allow access to any functionality that could be used to edit recorded transaction data.

There is also no evidence at all of any malicious remote tampering.

So it is not possible to alter postmasters' accounts remotely?

It is not possible to edit or tamper with a transaction once it has been made.

It is possible to add transactions in order to make a correction. This is extremely rare, is carried out with the right level of security and it cannot be done without a postmaster's knowledge.

Can you rule out remote fraud or cybercrime?

There is no evidence at all of this in any of the investigations carried out - there is no evidence that Horizon has not worked as it should do. No company can completely prevent cybercrime but there is nothing to suggest that this has caused any of the issues that have been complained about.

We adhere to industry standards , regulatory and compliance requirements. [Details to be provided separately]

But if there was remote fraud, all the risk would be with the postmaster wouldn't it?

No. Postmasters are not responsible for external frauds or crimes committed against their Post Offices, provided they have followed correct procedures.

Some of your more rural Post Offices have problems with telephone lines and power and find themselves having to try to run Horizon on mobile technology – how can this possibly be secure and is not the case that system crashes and interruptions could cause losses for postmasters?

- ***Horizon is working as it should and is secure***

Horizon is secure for all Post Office branches. The system is capable of handling power and telecommunications problems. Interruptions in power supplies and telecommunication lines are a risk faced by all IT systems. There are recovery systems built into Horizon to prevent any impact on branch accounts.

There is no evidence in any of the cases investigated that has suggested that Horizon did not accurately record transactions processed by applicants and Second Sight, who specifically looked into the recovery process in their 2013 report, found the recovery process worked, although questioned the speed of response from Horizon.

How old is some of the hardware? If postmasters need replacement hardware is it second hand?

- ***Horizon is working as it should***
- ***Industry standard practice on replacement***

Equipment is replaced as and when needed which is industry standard practice. There is nothing to suggest that the age of equipment has any impact on branch accounts. We accept that hardware problems can arise but there are recovery systems built into Horizon to prevent any impact on branch accounts.

There is no evidence in any of the cases investigated that has suggested that Horizon did not accurately record transactions processed by applicants.

Is it not the case that there are still regular issues with Horizon, but many postmasters are understandably afraid to raise it?

- ***Open communications – with forums and channels that provide feedback***

Not at all - there is nothing to suggest postmasters are afraid to raise issues they might have with Horizon, which they and our counter clerks are using to process six million transactions for our customers every day. We deliver products and services, through Horizon, for Royal Mail, Bank of Ireland, all the high street banks – 95% of their current account customers can access banking services through Horizon; we deliver products and services for DWP, DVLA, the Passport Agency and First Rate among others and we have major franchise partnerships with big retailers including WH Smith, Tesco, Asda and McColls. Horizon is used successfully in all these outlets.

Like all major businesses we do encounter problems from time to time. But we have arrangements in place to capture information and improve where necessary, with advice, support and assistance provided to colleagues across the largest retail network in the UK.

We receive regular feedback from colleagues through our internal channels, such as Subspace magazine and Subspace Online, which reach everyone in the network.

We also receive feedback on Horizon through our Network Business Support Centre, Horizon service desk and a branch user forum we established as a way for postmasters and others to raise issues and insights around business processes, training and support, to feed directly into the organisation's thinking at the highest level. And there is feedback from contact with the Finance Service Centre and through discussion in the field with Contract Advisors and Field Support Agents.

That feedback is assessed and implemented as appropriate through regular system reviews and upgrades implemented by both Post Office and our suppliers and in product development (e.g. to streamline a new product's transaction journey).

We have had information that there is a current issue involving mailing labels and that there is CCTV evidence about it. Do you know anything about that?

- ***Investigate issues raised with us***

Since the MP debate we have had a very small number of individuals asserting problems. One of these has raised the question of mailing labels and what happens if these do not print correctly. There is a safeguard already as part of Horizon which means the user is asked to confirm – or not - that they have correctly printed. The question raised is about what happens if the user mistakenly confirms a label has printed correctly when it has not. It is not possible to reverse that at that stage. This is something we were already looking into with a view to improving the process. [If pushed further about the allegation that postmasters are fraudulently 'reclaiming' money they are losing from the issue/ there is 'theft' because no service from RM is provided] We have looked into this and we have

asked the person concerned several times for evidence about it which they have not provided to date.

Training and Support

Your training and support for postmasters has obviously been pretty woeful – even if you have made improvements in recent times, you must surely take responsibility for the severe lack of it in the cases now in dispute?

- *Thousands of postmasters operating successfully*
- *In a small number of cases, the standard expected was not provided – this is being addressed in the Scheme*
- *Continually improving training and support, with involvement of our people*

We disagree that training, help and support for postmasters was inadequate. Thousands of postmasters, in receipt of the same training and support as applicants to the Scheme, have been operating the Horizon system successfully for years. We provide comprehensive training, both in the classroom and onsite, and follow-up support and visits are also offered to those who may benefit from them or who request them. In addition, our helpline is available to support postmasters in addressing any queries, alongside providing a service for technical queries. If these are not resolved quickly, further expertise is available, including visits to Post Offices as necessary.

Like any responsible organisation, Post Office always strives to improve its training and support and has undertaken further initiatives since the publication of Second Sight's report in 2013. Post Office created a new Branch User Forum as a way for postmasters and others to raise issues and insights around business processes, training and support, to feed directly into the organisation's thinking at the highest level.

Where, in what is a small number of individual cases, Post Office has found that the support provided in that case has fallen short of the appropriate standards, those issues are addressed as part of the investigation and review process.

Your own helpline was providing instructions and advice that simply made things worse for people – in some cases doubling their losses. It is not surprising that some of them gave up on it is it?

- *Helpline used by thousands of postmasters*
- *Call logs are retained – no evidence that wrong advice was provided*

There is no evidence at all for this. All calls to the helpline are recorded by the operators in call logs. If calls were not addressed appropriately then matters would be escalated and this would be noted also. So there would be evidence and there is not.

Postmasters were continually told that things would be put right by the system and it would correct itself, but this never happened - how could you then possibly justify the actions you took to punish these people?

- ***Thousands of postmasters operating Horizon successfully***

Transaction corrections are made so it is likely that this is a reference to those.. But if any issues could not be resolved they could be escalated to a higher level of support. Support can be requested by Field Support Advisors or other managerial support.

Every case is different and complaints about the Helpline or our support processes are investigated as part of the Scheme.

You now appear to be running the risk of making things even worse for postmasters – have you not cut back severely on training and support and outsourced your helpline abroad?

- ***Continually improving training***
- ***Have put in place branch forum as we said we would***
- ***Using digital channels to expand and improve training further***

We have continued to improve our training and support and we have undertaken further initiatives since the publication of Second Sight's report in 2013. We created a new Branch User Forum as a way for postmasters and others to raise issues and insights around business processes, training and support, to feed directly into the organisation's thinking at the highest level. One of the tasks for this forum is to review support processes and training to ensure they meet the standards expected of, and by, Post Office.

In addition, making better use of technology will enable us to enhance the effectiveness of the support we offer in a value for money way. The training of new postmasters is an area that we have recently reviewed and identified that by using modern technology a proportion of the existing classroom training could be delivered online. As a result new postmasters and their staff will be able to access online training at a time and from a location that is convenient for them. The duration of the onsite training remains unchanged.

An added benefit is that this online training will be accessible to the whole network and not just to new postmasters. Technology has also been used to reduce paperwork and administration within the support team and the overall impact of these changes means that fewer people are needed to deliver an enhanced level of support to the network.

Criminal Investigations and Prosecutions

Postmasters claim that you act as judge and jury – if there are any losses found at audit you have no interest in finding the cause because they have to pay them, isn't that true?

- ***Always in Post Office interest to find cause of losses***
- ***Postmasters not responsible for all losses***

This is not true. It is of course in our interests to find the cause of any losses of public money and to ensure that our postmasters and employees are properly supported by the business to protect this money.

Postmasters are independent business people in a similar position to franchisees and our contracts with them represent a balance of risk and reward. Postmasters are not held responsible for all losses at their branches. The contracts provide for postmasters to retain any surpluses and postmasters are only responsible for the losses caused by those they employ or by their own negligence, carelessness or error. But it is important to note that human errors can be and often are corrected and there are processes in place to enable postmasters to do this.

Postmasters are not liable for losses caused by, for example, external fraud or losses in other circumstances beyond their control, provided they have followed correct procedures.

Because, by definition, only a postmaster and his employees can know what happens in his branch day to day, in the first instance he is expected to investigate possible causes for any discrepancy when the branch produces a cash declaration at the end of each day. There is access to a range of reports on different products and transactions to do this, including a line by line listing of all transactions that day and also applies at the end of trading period.

Postmasters have a clear choice to accept discrepancies on the basis that they are responsible for them or, instead, dispute them for investigation - which Post Office undertakes - into the reasons for the discrepancy.

You send in your own investigations team if losses are found, with their powers to interview people under caution – how can this possibly be fair and without bias?

- ***Post Office has no special powers of investigation***

Post Office has no special powers and is not unique. Occasionally and regrettably it has to deal with criminal activity against it, as do all companies. Interviews related to suspected criminal activity are conducted in a Police and Criminal Evidence Act (PACE) compliant way. This includes the right of an individual to have legal representation present at the interview. All cases of potentially criminal conduct are thoroughly investigated and decisions about appropriate courses of action are taken on the basis of the available facts and evidence following review by specialist legal advisors.

Why do your investigators not allow people legal representatives to be present when people are questioned?

- ***Post Office carries out investigations fairly***
- ***Legal representation always allowed in interviews under caution***

Individuals do have the right to have legal representation present when interviews related to suspected criminal activity are conducted under caution. Such interviews are compliant with the Police and Criminal Evidence Act (PACE) which includes this right. This is explained to an individual and they confirm the position in writing. All cases of potentially criminal conduct are thoroughly investigated and decisions about appropriate courses of action are taken on the basis of the available facts and evidence following review by specialist legal advisors.

You seem to rarely be able to prove theft so instead pressure people to admit to false accounting, which is much easier to do – do you not accept that some of your postmasters are simply not in a position to be able to refute that even though they have done nothing wrong?

- ***Thousands of postmasters operate Horizon successfully***
- ***No reason for anyone to commit a criminal offence***

No-one is forced to admit to a criminal offence or prevented from refuting evidence – these are decisions for an individual and their defence lawyers, not Post Office.

All cases of potentially criminal conduct are thoroughly investigated and decisions about appropriate courses of action are taken on the basis of the available facts and evidence following review by specialist legal advisors.

The serious decision to prosecute a postmaster or employee, in the small number of instances where this in fact occurs, is always taken following numerous checks and balances and is of course subject to the scrutiny of defence lawyers and ultimately the Courts themselves.

People are allowed legal representation in interviews under caution which are compliant with PACE. If an individual is charged and there is a subsequent prosecution his decision regarding his plea is a personal one and between him and his defence lawyers, with all the evidence, including any evidence that might help the defence or hurt the prosecution, disclosed.

False accounting is criminal conduct and it will always be wrong. If postmasters face accounting losses they have a clear choice to accept responsibility for them or, instead, dispute them for further investigation. Regardless of how any shortage occurred, falsifying the accounts to hide losses cannot be justified and, further, usually destroys the audit trail making investigation into losses difficult if not impossible. It is false accounting that prevents Post Office from investigating underlying losses.

There seems to be a ‘one size fits all’ attitude to prosecuting people with no account taken of the circumstances in which they have had to try to operate - is it not therefore highly likely that some postmasters will have found themselves victims of miscarriages of justice, either wrongfully prosecuted, wrongly convicted or put in a position where they plead guilty simply through fear?

- ***Prosecutions are rare***
- ***Every case is considered individually***
- ***Decisions on how to plead to a charge are not a matter for Post Office***

That paints a completely inaccurate picture. Every case of potential criminal conduct is very carefully considered. The serious decision to prosecute a postmaster or employee, in the

small number of instances where this in fact occurs, is always taken following numerous checks and balances and is of course subject to the scrutiny of defence lawyers and ultimately the Courts themselves.

All cases of potentially criminal conduct are thoroughly investigated and decisions about appropriate courses of action are taken on the basis of the available facts and evidence following review by specialist legal advisors.

To date, and after two and half years of investigation and independent review, we have found no evidence, nor has any been advanced by either a Scheme applicant or Second Sight to suggest that criminal convictions of any applicant in the Scheme are unsafe. We have written to people we have been made aware of who have suggested that they have or have seen evidence suggesting miscarriages of justice and have asked them to produce this so that it can be acted on. To date no such evidence has been produced. We have not been asked to support any appeals and there have been no appeals in any of the cases involving criminal convictions that are in the Scheme.

Interviews under caution are conducted in compliance with PACE which includes the right to legal representation.

If an individual is charged, Post Office has no influence on whether they pleads guilty or not guilty and the evidence – all of which must be disclosed to the defence - could be tested in Court.

In deciding whether a case is suitable for prosecution, Post Office and specialist legal advisors consider, among other factors whether the case meets, as it must, the high standards relating to evidence and public policy set out in the Code for Crown Prosecutors, which is the code issued by the Director of Public Prosecutions and followed by the Crown Prosecution Service.

If a decision is made to prosecute and a defendant is charged, he is entitled to receive private and confidential legal advice and Post Office is duty bound to disclose to the defendant and his lawyers all the evidence in the case, including evidence which assists the defence or undermines the prosecution. Any decision by a defendant regarding his defence is made after he has had the opportunity to consider and take legal advice on the evidence and plea. This is not a matter for Post Office, it is between a defendant and his lawyers with full knowledge of all the evidence on which the prosecution proposes to rely in Court.

Why did you start dropping prosecutions when the scandal about Horizon started to surface?

- ***Cases always continuously reviewed***

Post Office always keeps cases under continuous review all the way up and during any trial, to ensure that it continues to meet the Code for Crown Prosecutors. The Code has two tests, each of which must be met. One of these is sufficient evidence and the other is public interest. [Post Office found that the public interest test was not met in a number of cases].

Is it not true that, because you go for false accounting and people are pressured to plead guilty because a lesser sentence is likely, that evidence about Horizon is actually therefore not tested much, if at all, in Court?

- ***Prosecutions are rare***
- ***How an individual pleads to a charge is not a matter for Post Office***
- ***All evidence is disclosed to defence and could be tested***

Nobody is pressured by Post Office regarding their plea which is entirely a matter for a defendant and his lawyers once they have had an opportunity to consider all the evidence.

Post Office has no influence whatsoever and the evidence – all of which must be disclosed to the defence - could be tested in Court.

Evidence about Horizon has been tested in court on some occasions.

Would you agree that there should be no time bar for these cases?

- ***Legal rights of applicants are not affected by the Scheme***
- ***Post Office also has legal rights***

Limitation periods for bringing legal actions are a long and firmly established part of the law. The periods, currently established by the Limitation Act 1980, balance the interests of the claimant (who may need time to bring a claim) and the defendant (who must be protected from stale claims e.g. because relevant materials are no longer available. The limitation defence is available to all defendants, no matter how strong the claim they are asked to answer. Post Office should not be prevented from exercising this legal right.

The Scheme does not affect postmasters' legal rights, including the right to start Court proceedings if they believe their case has merit. Many of the complaints in the Scheme are very old, with the typical 6 year limitation period expiring well before the Scheme was established.

Would you welcome the Criminal Justice Review Commission examining these cases?

- ***Happy to share information about criminal cases with the CJRV - and we're doing so***
- ***The Scheme is voluntary – it does not change anyone's legal rights***

We are sharing information about the criminal cases with the Commission. We are happy to do this. It is clear that there are some Scheme applicants who feel that a legal route might be more appropriate for their particular case. Mediation is an alternative, not a replacement for the Court process.

The Scheme is voluntary and does not change anyone's legal rights.

There have been no appeals to date in any of the cases involving criminal convictions or that have been through the Court process nor has any person applied to the Criminal Cases Review Commission to have their case reviewed. But the Scheme does not prevent people from doing so – and indeed they have always of course been able to exercise their legal rights regarding their cases at any time.

(To date there is no evidence identified by Post Office, nor advanced by Second Sight or an individual applicant to suggest that the conviction of any applicant to the Scheme is unsafe. Post Office writes to everyone we are made aware of who has suggested that they have or have ever seen evidence that a conviction is unsafe and asks them to disclose that evidence so that it can be acted upon. To date no one has provided any such evidence, but if it were to come forward, Post Office will address it – we take the duty of disclosure very seriously indeed as you would expect.)

What is your reaction to the challenge that you should no longer have prosecution powers and investigations and prosecutions should be carried out by police and CPS?

- ***Post Office has no special powers***

Post Office has no special powers. It can exercise the statutory right to bring a private prosecution open to all persons in England and Wales under the Prosecution of Offences Act 1985 or by supplying evidence to the national prosecutors in Scotland and Northern Ireland, where a private prosecution cannot be brought. This is the same as for any other individual or organisation and Post Office is not unique in bringing its own prosecutions. It is difficult to see why Post Office should not be allowed a statutory right that applies to every other person and organisation in England and Wales.

Contracts

- ***The Scheme relates to Horizon and associated issues, not contracts***

Aren't the contract terms completely unfair, making subpostmasters pay back any losses out of their own pockets in a way that employees would not have to do?

- ***Thousands of postmasters operate successfully***
- ***Similar position to franchisees***
- ***Balance of responsibilities – postmasters not responsible for all losses***

The core principles of postmasters' contracts are broadly similar to those used in franchising arrangements across the UK and reflect well established legal principles.

The terms of the contract are negotiated with the National Federation of Subpostmasters which represents around 80% of postmasters (around 6500).

Postmasters are independent business people, with a similar position to franchisees in other sectors. Our postmasters are often running Post Offices within their other business, such as a local shop and a contract with us can help to bring footfall into these.

The contracts represent a balance of responsibilities between Post Office and the postmaster. The contracts do not make postmasters responsible for all losses at their branches. They provide for postmasters to retain any surpluses and postmasters are only responsible for the losses caused by those they employ or by their own negligence, carelessness or error. But it is important to note that human errors can be and often are corrected and there are processes in place to enable postmasters to do this.

Postmasters are not liable for losses caused by, for example, external fraud or losses in other circumstances beyond their control, provided they have followed correct procedures.

But the contract goes back decades and was in place before Horizon was introduced – how can your contracts still be fit for purpose?

- ***Agreed with NFSP (represent 80% - around 6,500 -postmasters)***
- ***Broadly similar to franchise arrangements across UK***

The terms of the contract have been regularly reviewed, including with the NFSP but essentially the core principles remain and the overwhelming majority of postmasters operate effectively within these terms as they have done for many years.

The terms are broadly similar to principles used in franchising arrangements across the UK. Postmasters are responsible for providing services to our communities on behalf of Post Office and there is a balance of responsibilities between Post Office and the postmaster.

The contract ensures that postmasters, rightly, have responsibility for protecting Post Office money within the branch they control, by following proper procedures, many of which are required by law and compliance regulation.

Transactions and accounts are now computerised, as you would expect, but this does not impact on the contract, which is essentially about responsibility and management of individual branches by postmasters.

Postmasters might well be independent business people but a lot of them are running village shops, not large companies but you don't even provide them with legal advice before they sign up to the contract – or even advise them to get some. How do you make sure they really know what they are signing up to?

- ***Postmasters are usually already running their own businesses***
- ***In-depth appointment process***

It is of course for a postmaster to choose whether they enter into a contract or not. The provisions of the contract are very clear and written in plain English. It is open to any postmaster to take legal advice on the contract at any time.

The contract that is entered into between Post Office and postmasters is done so freely and at arms length. Postmasters are not employees, they are agents who act on our behalf, usually running their own businesses, and they are free to take independent advice about any area of their business as they see fit.

The British Franchise Association recommends that independent legal advice should always be taken before signing a franchise agreement – why does Post Office not comply with this best-practice recommendation?

The BFA recommendation is directed to franchisees who are in a similar position to postmasters. It does not make a recommendation to franchisors, who are in a similar position to Post Office, to insist on legal advice being taken by franchisees.

Is it true you don't even show the contract to postmasters before they have started working for you and they are only asked to sign an acknowledgement document agreeing to its terms?

No this is not true. The contract is available to postmasters throughout negotiations when they are seeking appointment and it is issued with the offer of appointment when an individual is advised they have been successful at interview.

It is common practice for new postmasters to sign an "Acknowledgement of Appointment" document, rather than the full contract – but this is done after the contract has been provided and people have had the opportunity to go through it and seek any advice they wish.

But was this always the case? Aren't there cases where postmasters have never seen the contract?

We have not found any evidence of it. It has been our practice since 2001 to send out the contract with the offer of appointment following successful interview.

How can it be fair for postmasters to be responsible under the contract for losses caused by their staff including when these have been caused by genuine and innocent mistakes?

A postmaster is responsible for running his branch and that includes the employment of his staff. He is responsible for hiring assistants and for their training. Postmasters' assistants are not employees of Post Office.

Postmasters assure themselves that assistants they employ are suitable for the role – they interview them and seek references and there are a number of checks that must be taken, such as right to work in the UK, proof of identity and five year work history. Assistants must be registered with Post Office so security checks, such as criminal record check, can be undertaken. There is an annual check of all assistants to ensure they have been cleared through the pre-employment checking system.

Because they are responsible for running their individual branches postmasters are accountable for the performance of the employees they manage.

But you don't make anyone you directly employ in your Crown branches pay money back and there are huge losses in those. Why is it different for postmasters?

We are accountable for the performance of the people we directly employee, just as postmasters are for the people they employ. Therefore if any of our employees cause losses we have to absorb those, and a postmaster has responsibility to do the same.

We investigate discrepancies in our Crown branches and we follow a performance and disciplinary process for our employees.

Financial

There has been nothing in your financial Report and Accounts about any of this. Does that not demonstrate that you have clearly made no provision for compensation because you decided you simply were not going to pay any?

Post Office Limited prepares its Financial Statements in accordance with international accounting standards, which set out a clear definition of what constitutes a liability. Amounts claimed by third parties by way of compensation or recompense do not normally constitute a liability unless and until the basis of the claim is established with a reasonable degree of certainty.

CEO position

Are you considering your position as CEO? Surely you have to?

The actions that the Post Office has taken have been fair and responsible. We instigated an independent inquiry. We have acted on its findings. There is no evidence that Horizon is not working as it should but we established the Scheme to investigate each individual complaint. We have provided financial support for people to obtain independent professional advice. We have ensured independence and impartiality in the way the Scheme operates. We have, even in the face of allegations being put into public domain, stood firm on the assurances we gave people about confidentiality. It is difficult to think that most other companies would do as much but we have been right to do so – it is fair and proportionate to the allegations made.

