

OFFICIAL SENSITIVE: COMMERCIAL

To: Baroness Neville-Rolfe
From: Laura Thompson, Shareholder Executive **GRO**
Date: 24 June 2015

Subject: BBC Panorama programme on Post Office Horizon IT system

Purpose: To update you on details of a BBC Panorama programme due to air on Monday 29 June, which is looking at the Post Office's Horizon IT system and claims that subpostmasters have been wrongfully prosecuted. The programme airs on the same day that Andrew Bridgen MP (North West Leicestershire, Con) has called an adjournment debate on the same subject.

Recommendation: That you note the likely content of the programme and our proposal for reactive-only media handling.

Timing: The programme is expected to air on Monday 29 June.

Background

1. In 2012 a small number of mostly former subpostmasters, supported by a number of MPs including Andrew Bridgen and former MP James Arbuthnot, raised concerns that glitches in Post Office's Horizon IT system were causing accounting discrepancies in their branch accounts. They claimed they had no knowledge of these losses but had to repay them, and in some cases, had been prosecuted for false accounting or theft by Post Office Limited (POL).
2. POL commissioned an independent firm (Second Sight) to look into the system and the individual cases raised. After nearly three years' worth of independent scrutiny, no evidence of systemic flaws has been found. Some instances of poor training or support have been identified and POL are taking steps to address this.
3. However the story has not gone away – with the absence of a “smoking gun” on glitches in Horizon, arguments have turned to the nature of the contracts between subpostmasters and POL, and to POL's approach to prosecutions. A small group, the “Justice for Subpostmasters Alliance” (JFSA), who initially raised the concerns in 2012, are working to keep this issue in the media and raised in Parliament.
4. In 2013 POL also set up a mediation scheme which received 136 applications, designed to help individuals and Post Office reach a common understanding of what had gone wrong in each case. The mediation scheme is independent of Government – these matters relate to individual contractual disputes between two independent businesses (POL and the subpostmaster). We strongly

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recommend that Government maintains this position and resists calls to “take over” the mediation scheme or launch a Government enquiry.

5. The BBC has covered this issue in the past, predominantly on The One Show and some regional news programmes (e.g. Inside Out). Individual cases have received some coverage in print media (national and local).
6. BBC Panorama is preparing a programme, originally scheduled for Monday 22 June and now scheduled to be broadcast on Monday 29 June. We understand it will be fronted by journalist John Sweeney and expect it to be highly critical of Post Office, covering:
 - Three separate human interest stories (brief overviews in Annex)
 - An interview with James Arbuthnot, as well as a forensic accountant, computer expert, and former Fujitsu (supplier of Horizon) employee
 - POL’s approach to prosecutions and lack of support for subpostmasters, as well as repeating claims that there are faults in the system
7. The programme may also feature an account (raised in Parliament by Mr Bridgen) of one former subpostmaster claiming that POL are able to remotely alter branch accounts to cause discrepancies. All these allegations have been made before and POL plan to defend themselves robustly against them.
8. POL have engaged fully with Panorama but have (in confidence) advised us they are not confident that the programme will present a balanced view. As such, they have decided not to field a senior manager for interview and will offer a spokesperson quote only. They are considering options including legal routes to manage media interest before, during and after the programme.
9. While we do not expect the programme to be critical of Government, we can expect press queries particularly if there are calls for Government to intervene. The adjournment debate taking place the same evening may compound this. We recommend passing all media queries to POL in the first instance, as we have done to date. If we are pressed for a line we will offer a reactive-only quote from a BIS spokesperson reiterating that this is an operational matter for POL. We can also expect George Freeman’s closing speech from the adjournment debate to be quoted if there is media interest the following day.

Annex: Details on individual cases to be featured

Copied to: Ministers’ offices, SpAds, Permanent Secretary, Mark Russell, Anthony Odgers, ShEx Post Office team, Aileen Boughen, Simon Creer, Claire French

Advice received from:

Finance	SpAds	Press	Legal	Analysts
No	TBC	[Simon Creer]	No	No

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Annex: Details on individual cases to be featured

Note: All details provided here are based on information already in the public domain – each of the individuals has chosen to share their story with the press. POL have refused to breach individuals' confidentiality and disclose confidential details of their cases, even where the individual has chosen to speak to the media.

Mrs Seema Misra

- Operated a sub post office in West Byfleet, Surrey since 2005.
- She was prosecuted for stealing nearly £75,000 in 2010 – found guilty of theft and given a sentence of 15 months, of which she served 4 months.
- She was pregnant with her second child when convicted.
- She was ordered to make restitution to POL, although this was reduced to a nominal £1 after she had sold her home and had no assets to repay
- Her case was featured on BBC Inside Out South in February 2011, covered by journalist Nick Wallis.
- Her MP is Jonathan Lord MP (Woking, Con)

Mr Noel Thomas

- Mr Thomas had worked for the Post Office for 42 years, joining aged 18 as a delivery boy for Royal Mail. He and his wife purchased Gaerwen Post Office in 1981.
- He was charged for a £48,000 shortfall in 2006. He pleaded guilty to false accounting and was sentenced to 9 months in prison (of which he served around 9 weeks). He spent his 60th birthday in prison.
- Mr Thomas admitted that he “signed off his accounts each week rather than risk closing his business by declaring that his till did not balance”.
- He was ordered to repay c. £9,000 and later declared himself bankrupt.
- His MP is Albert Owen (Ynys Mon, Lab)

Mrs Jo Hamilton

- Mrs Hamilton ran a sub post office in South Warnborough, Hampshire.
- In 2008 she was prosecuted after an audit at her branch revealed a £36,000 shortfall. She pleaded guilty to 14 counts of false accounting and was given a community order with a 12 month supervision requirement.
- Her local village raised £6,000 to help her pay back the money she owed.
- Mrs Hamilton claims she pleaded guilty as she was “fearful of going to prison if convicted” but that “POL offered to drop a theft allegation if she admitted false accounting and paid the missing money back”.
- She has applied to the Criminal Cases Review Commission.
- Her MP was James Arbuthnot until May 2015, now Ranil Jayawardena (North East Hampshire, Con)