

Business and Trade Committee

Oral evidence: The Post Office, HC 1501

Tuesday 20 June 2023

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Members present: Darren Jones (Chair); Jane Hunt; Ian Lavery; Andy McDonald; Mark Pawsey.

Questions 1 - 88

Witnesses

I: Henry Staunton, Chair, Post Office Ltd; Lisa Harrington, Former Board Member and Former Chair of the Remuneration Committee, Post Office Ltd; Amanda Burton, Board Member and Chair of the Remuneration Committee, Post Office Ltd; Nick Read, Chief Executive, Post Office Ltd; Tom Cooper, Director, UK Government Investments, and Former Shareholder Representative Non-Executive Director, Post Office Ltd.



Examination of Witnesses

Witnesses: Henry Staunton, Lisa Harrington, Amanda Burton, Nick Read and Tom Cooper.

Chair: Welcome to this morning's session of the Business and Trade Committee for a hearing with Post Office. We are going to be discussing two issues today: first, the annual accounts that were reported to Parliament; and, secondly, an update on the compensation scheme for Horizon victims.

Before we begin, I just need to declare two interests in relation to today. The first is that I used to work for the law firm Womble Bond Dickinson, which was an advisor to Post Office, although I never acted on any of the issues in question today. Secondly, I used to be a lawyer at BT Group. Ms Harrington may have been at the business at the same time I was, although we never worked together, but I just wanted to put that on the record. Are there other declarations?

Jane Hunt: Yes, please. For a time last year, I was the Minister for Small Business and was involved in this particular issue.

Q1 **Chair:** We will start with the issue of the annual accounts to Parliament and the issue that has been already dealt with in public about the errors underpinning some of the metrics that related to bonus payments. I should just introduce who we have before us today. We have Lisa Harrington, who is the former chair of the remuneration committee and is still a board member at BT.

Lisa Harrington: Sorry, I am no longer a board member.

Chair: Sorry, not at BT. I meant Post Office. Forgive me.

Lisa Harrington: I am no longer a Post Office board member.

Chair: You have left the board altogether.

Lisa Harrington: My term finished in June.

Q2 **Chair:** Forgive me. We also have Henry Staunton, the chair of Post Office; Amanda Burton, who is the recently appointed chair of the remuneration committee and author of the report that we will talk about today; Nick Read, who is the chief executive officer; and, on the television screen, we have Tom Cooper, who until very recently was the shareholder representative non-executive director, which is the Government appointee.

We will just start, as I say, with the annual report. I just want to start, because it will be important in the context of how the Post Office wrongly prosecuted victims over many years, by reading out section 17 of the Theft Act about false accounting, which reads that where a person dishonestly, with a view to gain for himself or another, conceals or falsifies any account or any record or document required for accounting purposes, or in furnishing information produces or makes use of any



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account, record or document which to his knowledge is or may be misleading or false, he can, on conviction, be imprisoned for up to seven years. Where a company commits that offence, with the consent or co-operation of the chief executive, manager or office-holder, both the individual and the company may be liable and prosecuted by the court.

This was the basis on which many sub-postmasters were prosecuted. We are not a court; we are a Committee of Parliament, but it seems to me that in the annual accounts that Post Office reported to Parliament there was false or misleading information presented that did lead to the financial gain of you, Mr Read, as chief executive officer and some of your senior colleagues.

The question I therefore want to know the answer to is who knew about that. In knowing, was the Post Office or any individual acting dishonestly? Nick Read, it was your idea as I understand it. Did you know that 25% of the bonus scheme that you presented to the board and 25% of your bonus was rated on getting approval from the statutory inquiry chairman, Sir Wyn Williams? You knew that, did you not?

Nick Read: First and foremost, let me apologise for the error and for the mistake that has been made with the sub-metric in our transformation incentive scheme. There were 19 metrics in total, and for one of them we made the error in terms of identifying that Sir Wyn would, effectively, authorise this metric.

Q3 **Chair:** Not "would" but "did", presumably.

Nick Read: Yes, "did". It is important just to provide a bit of context for this. Certainly when the scheme was established, which was part of the transformation of the Post Office, we wanted to emerge from Covid and transform the Post Office. We had an independent non-statutory inquiry of four months' duration, which was very much focused on making sure nothing like this could happen again. It was in that context that we established the transformation incentive scheme. It was for that purpose that we believed that we would be through the four-month independent inquiry.

Clearly, the independent inquiry became a statutory inquiry halfway through the scheme term. The mistake was that we did not go back and revisit that particular incentive. That was an error and I apologise unreservedly for that. That was certainly something that we should have identified.

Q4 **Chair:** At that point, you went through the process presumably of getting metrics against the KPIs for the bonus scheme, going through assurance of that data, getting external verification of that data, reporting it to the remuneration committee, discussing it at board level, getting sign-off from the Government, producing your annual accounts, having those checked and reporting them to Parliament. Through that whole process, you did not know that there was false information in that that underpinned your bonus payment.



Nick Read: We had both internal and external assurance. We provided information to the remuneration committee for them to make their decision. I do not make those decisions. I do not decide how and who determines what bonus scheme I get, or indeed what that payment is.

Q5 **Chair:** It was your recommendation, was it not, that this scheme was put in place?

Nick Read: Yes, absolutely. I agree that in terms of the incentives themselves and in terms of the suggestions and the proposal for how we should motivate and incentivise the senior team, that is what I present to the remuneration committee. Of course, the remuneration committee then determines and decides how the scheme should operate.

Q6 **Chair:** Many of the victims will be confused about why Post Office executives needed a bonus incentive to just do their day job, for which you already get paid handsomely. Why on earth was this in the bonus scheme in the first place?

Nick Read: It is a very fair question. First, I would say that there will be no inquiry incentives going forward. When we look back to two years ago, it was very important for me that we transformed the Post Office. We had a range of very complex and difficult priorities to address, whether that was getting off Horizon, ensuring that we redress the past, dealing with compensation, making sure the recommendations of the common issues judgment were put into place or addressing the issues with Royal Mail. There were a range of priorities, and it was very important from my perspective that, rather than just being transparent and open with the independent inquiry as was, I wanted people to go above and beyond.

I know that we cannot move on as a Post Office until such time as we have addressed the issues of the past. There was a range of different incentives. As I just mentioned, there were 19 in total to motivate and incentivise the senior team to go above and beyond.

Q7 **Chair:** This is a comment, not a question, but executives should not have needed to be incentivised to go above and beyond to rectify the mistakes of the Post Office from the Horizon scandal. Lisa Harrington, I want to come to you next, because you are mentioned quite frequently in Ms Burton's report. I want to go back to my initial question. I really want to know whether the Post Office as a corporate body, or any individual, knew that the information that made it through to the awarding of bonus payments and presentation in the annual accounts was either misleading or false.

Lisa Harrington: First of all, I would like to reiterate my personal apology and an apology on behalf of the Post Office. The remuneration committee debated long and hard each of the metrics. In the case of the inquiry metric, we actually used an external source, which was an HSF—Herbert Smith Freehill—report, that had been presented to the board in January, to give us confidence that the inquiry was being supported. Of course, it was inappropriate to have an inquiry metric at that point, but



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there was a debate on whether or not the achievement had been reached or not.

Q8 **Chair:** In the annual accounts, 25% of the bonus scheme had its own box with the sub-metrics in, and at the top of the box it says very clearly that, for that whole 25% to be awarded, it needed the approval of Sir Wyn Williams and the statutory inquiry. Are you really telling me that was not something that the remuneration committee understood was required for that to be awarded?

Lisa Harrington: One of the sub-metrics—

Q9 **Chair:** No, Ms Harrington, it is at the top of the whole box in the annual report. There are a number of sub-metrics in relation to the statutory inquiry. That was for 25% of the bonus scheme. At the top of that box in relation to all of the sub-metrics, it said that it needed the sign-off of the statutory inquiry.

Lisa Harrington: It was an absolute error to present it in that way. That was definitely not the intention.

Q10 **Chair:** Did somebody not know that that was a mistake, that it was fault and that it could be misleading? Somebody must have known that.

Lisa Harrington: Yes, somebody should have. There were many people who reviewed it and it was not picked up as a specific issue. I absolutely agree it should not have been presented in that way. The intention was to bring external scrutiny so that we were not telling ourselves we were doing a good job, when in fact we needed somebody external to help us validate that.

Q11 **Chair:** I find it a very hard argument to understand. As I said, originally I was a lawyer in my past life. If you look at a set of requirements, you go through and you say, "This is the requirement that is required". It is the job of compliance, of assurance and of audit to look at these things and to make sure that they are absolutely robust, and yet you are telling me that nobody knew that this requirement had not been met.

Lisa Harrington: Nobody picked up on the wording needing to be updated.

Q12 **Chair:** It is more than just the wording, Ms Harrington. Mr Cooper, you were in these meetings when this metric was being discussed, when the awarding of this bonus payment was made. According to Amanda Burton's report, you asked the pertinent question, "How would we know if senior executives had delivered against this metric?" How you would know, based on the reporting of your own bonus scheme, was that Sir Wyn Williams would have told you, but that was never true, was it?

Tom Cooper: No, and I too want to apologise. This should never have happened and it is clear that errors were made. I apologise for my part in those errors. The starting point is that the paper that was presented to the remuneration committee was flawed. It should have said that the



metric had not been met and it should have made clear that there was no letter from the inquiry that addressed the point in the form that was required to meet the metric. That was the starting point. Then, from my perspective, the error that I regret is that I did not pick up that there was no letter. I should have asked a question. Any of us on the remuneration committee could and should, in my view, have asked the question, "Do we have this letter or not?" Had we asked that question, this would have been flushed out and it would have been fixed.

Q13 Chair: It is just remarkable, is it not, that a remuneration committee, a board, your internal audit and financial risk assurance teams, your senior leaders, your external advisers and your lawyers did not pick this up? The interesting thing for me, having read out the statutory definition of false accounting, is that the key issue here is whether anybody was dishonest, because it is right that a number of people gained on the basis of false information that was in an accounting document.

The only word that hangs that we do not know the answer to is whether somebody knew that and then dishonestly allowed it to go ahead. That would meet this statutory definition of false accounting, which many sub-postmasters were prosecuted under. I suspect many of the victims of the scandal will be looking today and hearing your apologies and saying they were not allowed to apologise for something that turned out to not be their fault. What are the consequences for any of you?

Nick Read: As I say, it was a mistake. There was not anything dishonest. The intent of the metric was appropriate in the sense that we wanted to mobilise people and incentivise people to do the right thing, to get us through the inquiry in the most appropriate way, as in above and beyond. The mistake was quite clear and the errors were made. There were many people who oversaw this and many people who missed it. It is very disappointing and it is a clear error, but, as I say, the intent was not in any way malicious.

Q14 Chair: I am conscious of my own time, so I just want to make a little bit of progress. Amanda Burton, on page 8 of your report you say, quite frankly, "It is difficult to understand why the inquiry sub-metric was not questioned by anyone, and yet seen by so many people". You then go on to say that, having taken into account the discretion available to the remuneration committee, it was probably okay. What does "discretion" mean, Amanda Burton?

Amanda Burton: I would also like to reinforce the apologies that have been made. Clearly, there was a mistake throughout the setting of this target and the meeting of it, so I also apologise.

In terms of discretion, the remuneration committee did have discretion, as was set out in the terms of the scheme and also in the terms of the letter that was sent to DBT. It is perfectly normal for remuneration committees and other committees to exercise discretion. Clearly, they have to look at all the facts and it is very unfortunate that the discretion



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was not recorded properly. It was recorded for other parts of metrics, but not this particular one, which is extremely unfortunate, because I would expect, when a remuneration committee is going through that thought process, they make sure it is properly documented so that people looking back and see why that decision was made.

Q15 Chair: Discretion is the freedom to decide what should be done in a particular situation, which implies knowledge. If the discretion on this metric was not recorded in the minutes, we are left asking the question whether that is because members of the remuneration committee knew that they did not have the sign-off of Sir Wyn Williams and the inquiry but decided to use their discretion to just ignore that point and look at whether the performance of Post Office more generally had been okay, and therefore awarded the bonus. Was there any evidence of that?

Amanda Burton: No, there was absolutely no evidence of that. I found absolutely no evidence of anyone trying to mislead anyone or of any dishonesty.

Q16 Andy McDonald: Mr Read, you had a very successful career prior to taking up the position at the Post Office. What was the motivation for leaving the private sector and coming into the public sector in the way that you did?

Nick Read: There were a couple of things that struck me. The challenge itself to re-establish and retail transform the Post Office was very exciting. I was brought in with that specifically in mind. What was very interesting was that, during my recruitment process, the GLO was in full flight and the Post Office found themselves, as I joined, in a state of flux, primarily because they had lost the group litigation order. They found themselves in shock and paralysis, so therefore my role slightly changed.

I came in specifically to do a retail transformation and I found myself in a business that is extremely complex, obviously dealing with the public inquiry, dealing with the past. I made it my primary focus to address the issues of the past. As I said at the very start, I am very clear the Post Office cannot move on until such time as the issues of the past have been addressed. That is the primary goal of the Post Office today.

Q17 Andy McDonald: Given that, what was the salary that you were offered and were paid when you took up the job?

Nick Read: My base salary was £415,000.

Q18 Andy McDonald: In terms of the bonuses that we are talking about here, what did they amount to globally?

Nick Read: In total for the year that we are discussing here, £870,000 in total, so £455,000 plus £415,000.

Q19 Andy McDonald: Can you begin to comprehend the anger over the sort of sums we are talking about, when postmasters have gone through the trauma that you came in to deal with? We are hearing evidence from our



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colleagues about the way that postmasters now cannot make ends meet, and we are talking about these sums of money.

I just take you back to what you said to the Chair a few minutes ago. You said you had to incentivise people to do the right thing. Is the incentive not sufficient to turn up, do your job and get paid a whacking great salary for the privilege of that? What magical skills do you bring to bear that are so extraordinary that would warrant such considerable sums of money in the first place and then, on top of it, massive bonuses to boot, which actually exceed the scale of your salary? What justifies that? Can you feel the anger from postmasters across the country?

Nick Read: I am very conscious that I am very well paid. I am very conscious that it is a great privilege to do this job. I am also conscious that it is a very complex and difficult role, to manage the multitude of different priorities that the Post Office has today. I have a network of 50,000 colleagues and 11,000 branches, but also we are trying to address the issues of the past. As I said at the start, it is really important that we get the issues of the past addressed fairly and move on.

Q20 **Andy McDonald:** Mr Reid, that was the job that you accepted when you took this up. Can I just move on, because I would like to hear from other members of the panel? The inquiry metric was that the Post Office had supplied information that had supported the inquiry to finish in line with expectations. How could this have been marked as achieved when the inquiry had not concluded?

Lisa Harrington: We used an external report to assess whether the spirit of the inquiry was being supported to the full. We should have reflected the change in the wording as such, and that should have been changed in July 2021, when the statutory inquiry shift happened. I fully acknowledge that the wording should have been adjusted to reflect that.

Q21 **Andy McDonald:** Amanda, do you concur?

Amanda Burton: When the metric was first set, the environment was slightly different, in the fact that this was a public inquiry, not a statutory inquiry. There were very tight timeframes for producing information; the team were very keen to make sure absolutely everything was done to ensure those were met. A huge amount of work was being done. I can understand why that metric was set because of the importance, as Nick has said, of the whole background of the inquiry and making sure it was properly achieved. The issue was that, once it became a statutory inquiry, that metric was clearly no longer appropriate.

Q22 **Andy McDonald:** There is a fantastic amount of energy being expended on working out how people can be paid even more than they are on already. That will have been lost on nobody. In the minutes of April 2021, I do not know if that covers your time—

Lisa Harrington: I was part of the committee, yes.

Q23 **Andy McDonald:** The remuneration committee meeting minute says that



committee members felt that the metrics were not challenging enough. The minutes of February 2022 record considerable debate about all metrics. In retrospect, were these metrics far too easy to achieve?

Lisa Harrington: No, I was part of the committee for three years and chair for the last 14 months. I can honestly say it is the toughest committee I have ever been part of in 15 years of doing board work. We challenged possibly too much every metric and every target. That is possibly why some of the periods between setting targets, finalising them and agreeing them were quite long.

Q24 **Andy McDonald:** How can you say you challenged every metric when one got through the gate that was clearly inapplicable?

Lisa Harrington: The wording was not reflective of the discussion that we had. I agree with you.

Andy McDonald: A lot of hard work went into this and a lot of money was paid.

Q25 **Ian Lavery:** I am absolutely astounded by what I have heard within the first half an hour of this panel discussion in this inquiry. The reality is that Mr Read is being paid basically Champion's League wages for First Division performance. Forgive me for saying this, but the postmasters in the general public are quite entitled to feel that this has been a grubby backroom financial deal for the chief executive. Mr McDonald has already asked why on earth you believe that you should have had a £455,000 bonus. What makes you so special to get a £455,000 bonus when other people within the Post Office network are basically on what could be classed as the real living wage?

Nick Read: As I said before, I am very conscious that I am well paid to do the job.

Q26 **Ian Lavery:** What makes you so special?

Nick Read: I do not believe I am so special.

Q27 **Ian Lavery:** Why did you receive and accept it? It is important that people recognise that you accepted this £455,000 in bonus for 2021.

Nick Read: 2021-22, yes.

Amanda Burton: It was actually over two years. I am sorry to interject.

Q28 **Ian Lavery:** That does not really make much of a difference to the point I am making; I am sorry. You do not have an answer, do you?

Nick Read: As I say, I do not think I am special.

Q29 **Ian Lavery:** Did you think it was fair at the time?

Nick Read: At the time, I thought I had done a reasonable job. I am not complacent about the job that I have done, but I believed I had done a reasonable job. Clearly, my salary is set by the Secretary of State; my



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schemes and bonus schemes are set by the Secretary of State as well. Clearly, if they felt or the Department felt that I was not worth it, I am sure that they would let me know that.

Q30 Ian Lavery: Ms Harrington, the lack of the role of Sir Wyn Williams has been mentioned. Apparently he was not consulted during the remuneration process. He was not even asked at all with regard to the drafting of the inquiry metric. He was not involved in looking at whether or not the metric had been achieved with regard to the bonuses. Why on earth was this the case?

Lisa Harrington: The original wording actually did not refer to Sir Wyn. It referred to Sir Wyn's team. There was never the intention to speak to Sir Wyn personally. That would have been inappropriate. The sentiment was that this was a really important part of the transformation of the Post Office. We wanted to be sure we had an external scrutiny to anything that we were concluding, rather than talking to ourselves and making a conclusion ourselves. That was the intention behind saying we would get this external validation from Sir Wyn's team. Of course, as soon as the inquiry switched to a statutory inquiry, that was no longer appropriate.

Q31 Ian Lavery: Are you saying that the metrics say that you have to speak to Sir Wyn Williams' team and you did that?

Lisa Harrington: We did not do that, no.

Q32 Ian Lavery: You did not do that either.

Lisa Harrington: No, the scrutiny we applied was an external report by HSF.

Q33 Ian Lavery: Amanda was unable to establish why there was not anybody questioning the drafting of the inquiry metric and the sub-metric. I think you said that, Amanda. I just wonder whether the remuneration panel who are here actually did read the annual report and indeed the accounts, and in particular the remuneration section. I sincerely hope you did, looking at the wages and everything that you all received. I sincerely hope that you at least read the accounts and you at least read the remuneration section. You would probably turn to that first to see exactly what you have to look forward to. There were not any questions raised at all with regard to this particular error.

You have all apologised. That is not enough, by the way. I am sorry, but apologising is not enough with regard to this. Why were no questions raised? Does this show that there is a failure—not a bit of a failure but a huge failure—of governance within the Post Office?

Lisa Harrington: I absolutely did read the report. I actually wrote the front section. I am disappointed in myself that, amongst others, I did not spot the error in the wording. I absolutely acknowledge your point that, in the context of postmaster pay, it is a large amount of money. We were always very aware of it. It is a difficult balancing act to operate in a



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commercial sector while also trying to heed the fact that it is taxpayers' money.

Henry Staunton: I was not there, so I have nothing further to add. All I can do is say, going forward, I have been the chairman of many companies. When it comes to discretion, I would expect it to be fully thought through. It should be used sparingly. It should have a proper audit trail. It should be properly minuted at the RemCo level. Something like discretion should go before the board—from the RemCo up to the board. That is what will happen going forward. There should be full discussion of any use of discretion with our shareholder. That will be how we will deal with these things going forward.

Nick Read: I agree. My colleagues have been very clear. We missed it. That was a mistake and we need to make sure we address it going forward. Amanda's report and the words of the chairman are very clear about how we will overcome those as we move forward.

Tom Cooper: I was there, like Lisa, and I did read the annual report and the remuneration section. Again, I apologise for not picking it up there either. It is important to understand the flow here starts with the remuneration paper that was presented to the remuneration committee. You will notice that what is in the annual report is basically a copy of what was in that paper. The fault or flaw with the annual report is a direct consequence of two things. One is the failure to present an accurate paper to RemCo and the other is the failure of the fact that discretion was exercised to have been minuted properly in the remuneration committee minutes. In my view, had either of those two things happened, the annual report would have stated the position correctly.

Ian Lavery: I am absolutely amazed, Chair, that this was not at all raised, but I will leave it there.

Q34 **Mark Pawsey:** Lisa Harrington, you have sat on a series of remuneration boards. In terms of these 19 metrics, were they pretty standard, or was there anything unusual about the metrics that the Post Office intended for the bonus payable to its chief executive?

Lisa Harrington: I would say they were too complex and that was something we were aspiring to simplify over time.

Q35 **Mark Pawsey:** Did you inherit them or did they come into being during your tenure as chair of the remuneration committee?

Lisa Harrington: I joined the Post Office board in April 2020 and they were set in September 2020.

Q36 **Mark Pawsey:** You were in a position to influence those metrics.

Lisa Harrington: I was.

Q37 **Mark Pawsey:** You have just told us that there were elements about them that were too complicated. Why did you accept those metrics if you



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felt they were inadequate in some way?

Lisa Harrington: They were not inadequate. We were very cognisant of the need to adhere to good corporate governance principles, including the need for them to be proportionate.

Q38 **Mark Pawsey:** We have just heard about some pretty appalling adherence to good governance principles, with the greatest of respect.

Lisa Harrington: Yes, that is fair pushback, but each of the four categories were genuine areas that we were trying to emphasise from a transformation perspective. We were very focused on the need for the outcomes to be measured, so not the sentiment but actually outcomes and outputs, including IT transformation and how the postmasters were feeling about the relationship with the Post Office. In each case, we did try to set a sensible metric and target, but I still acknowledge the point that, in the case of the inquiry metric, it was wholly inappropriate.

Q39 **Mark Pawsey:** May I turn now to Amanda Burton? Do these metrics still exist in the bonus package available to the chief executive?

Amanda Burton: Yes, there is an inquiry metric, which I said in my report I will be recommending to the remuneration committee will not be paid out for this next year.

Q40 **Mark Pawsey:** Are all these 19 points still included?

Amanda Burton: No.

Q41 **Mark Pawsey:** You have revised the criteria that Lisa Harrington had to work to.

Amanda Burton: No, the transformation scheme was an entirely separate one-off scheme. That has not been repeated at all.

Q42 **Mark Pawsey:** My question to you is about whether there is a danger. I suspect that, after all of the publicity and this inquiry, your remuneration package, Mr Read, is going to be probably under more scrutiny than anybody else's in the country, quite frankly. How do we make certain this does not happen again?

Amanda Burton: Yes, I completely agree. I have put out some recommendations in my report, which include that I would like more simplicity and clarity, with far fewer than the 19 sub-metrics; there were far too many to track. We will probably not be exercising any discretion, but, if we do, it will have to be very clearly documented and we will really need to consider carefully whether that is the right route to go down.

Q43 **Mark Pawsey:** Mr Staunton, you told us of your very broad experience of sitting on many boards. How do you think this organisation got itself in such a mess with its remuneration package?

Henry Staunton: I have read Amanda's report. I used the phrase in my letter to the Minister that it is baffling.



Q44 **Mark Pawsey:** It is a baffling bonus package.

Henry Staunton: No, I am talking about how people missed it, because it would be perfectly obvious us to all of us, in retrospect, and certainly it must be to you as the Committee, that Sir Wyn would never have given his consent in the middle of an inquiry. He just would not have done it. How it was missed I cannot understand.

All I can say is that, going forward, we have mainly new non-exec directors. I am new. We have a new RemCo chairman. I have a new audit committee chairman. I have a new SID. These are all very experienced individuals with terrific judgment. With their experience, this error could not come anywhere close to being repeated. That does not deal with the past issues. All I can do is make sure that we have a situation that is satisfactory going forward.

Q45 **Mark Pawsey:** Given the concerns about the Horizon scandal, would you not have expected this arrangement to have come under rather more scrutiny by the remuneration committee than it did, given that we have already heard that it was overcomplicated?

Henry Staunton: The Horizon scandal is a challenge in itself.

Q46 **Mark Pawsey:** It created a focus on the organisation of which you are chairman.

Henry Staunton: We have a number of items that are very important to solve, of which dealing with the past wrongs of the Post Office in terms of postmasters has to be the first thing. Getting a better deal for postmasters at the moment is important. The Horizon scandal is the third challenge. The challenges facing this business are as great as I have seen in any business, because not only do we have a really difficult trading situation, but we have all these separate challenges to deal with too. We as a board will have our hands full going forward. That is really what I am looking at.

Q47 **Mark Pawsey:** Mr Cooper, you also serve on a series of boards as HMG's representative. Did you not think that there was something unusual about this very complicated bonus arrangement for the chief executive?

Tom Cooper: It was a very unusual situation and the context in which it was put together was fairly unique. The company had to deal with Covid and it was all hands to the pumps during the Covid period. Nick and the team were very focused on keeping branches open and providing services to the community.

Q48 **Mark Pawsey:** The business about the remuneration package for the chief executive slipped to the side and was not given the scrutiny it perhaps should have been.

Tom Cooper: It should have been and I acknowledge that.

Q49 **Mark Pawsey:** You acknowledge it was not given the scrutiny that it



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should have been.

Tom Cooper: The fact that this point about the letter from the inquiry was missed was obviously an oversight and an error, and many people missed it, as we have heard.

Q50 **Mark Pawsey:** Should it have existed? Should the bonus scheme have been so complicated in the first place, Mr Cooper?

Tom Cooper: I am trying to answer your question by explaining background and what Nick was doing. We all recognised that he needed to pivot the organisation.

Q51 **Mark Pawsey:** There were lots of organisations that faced challenges during Covid. There were not any that had gone through the Horizon scandal. We might have expected that independent outsiders such as yourself might have piped up that there was something wrong about this remuneration package.

Tom Cooper: Forgive me; do you mind if I just finish? What is unique to Post Office is the complexity of the challenge that faces the organisation. Very few businesses have a complex business to run, have the need to install a brand new computer system, which is one of the largest computer projects I believe in Europe, have to face a huge compensation programme, which requires large numbers of people to administer, and also have a public inquiry, all at the same time. That was the genesis of this remuneration package. It was to focus the entire organisation on the massive challenge that was ahead of it and to really get going on this programme and all the culture change that goes with it.

The logic for having these objectives, I believe, was sound. Amanda refers to that in her report. I accept that its execution was flawed, but I do believe genuinely that the scheme was there to serve a positive and useful purpose, which was aligned with the objectives of the shareholder and the Department.

Q52 **Chair:** Mr Staunton, can I just come back to you on something you said to Mark Pawsey? You seemed to suggest that now you have new people on the board, you will have the right type of skills or capacity for this not to happen again. In Amanda Burton's report she had a note of the minutes of the remuneration committee in September 2021, where it said that there was a tracker in relation to the bonus payments, each metric had an owner, that internal audit would verify the action status and that that would be externally assured by Deloitte, which also seems to do your internal audit. I question whether it should have been doing internal and external audit at the same time.

Henry Staunton: PricewaterhouseCoopers is our external auditor. We subcontract the internal audit to Deloitte, which is a perfectly normal procedure.

Q53 **Chair:** It seems a bit strange to me. It says Deloitte will provide the final



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sign-off on the metrics, but Deloitte also provides the internal audit. It is marking its own homework, is it not?

Henry Staunton: It is not our external auditor. That is the point I was making.

Q54 **Chair:** I am not asking about the annual report, I am asking about the performance against the metrics on the bonus scheme. It says here that Deloitte provided the final sign-off and the external assurance that the metrics under the bonus scheme have been met. Correct me if I am wrong, but it says here that Deloitte provided the internal audit work. Deloitte was internally saying the metrics had been met and then externally saying that it had done the work accurately. Unless I have misunderstood, is that not a conflict of interest? Amanda Burton, it is your report.

Amanda Burton: I agree that there is confusion when you go through the minutes in terms of its role, but it was the internal audit function. It was co-sourced with some internal people. It was never external auditor. The minutes are a little bit confusing as to its role.

Q55 **Chair:** The point I am making, Mr Staunton, is that this is not just about the quality of your board members. This seems to be a systemic organisational problem around corporate governance. Even with a tracker, owner, internal audit, external verification and the board process, nobody picked up that this requirement of the inquiry approving a metric for bonus payments was false. There is a deeper problem. Do you agree?

Henry Staunton: I highlighted and touched on this before. In terms of the use of discretion, it has to be used sparingly. It goes back to the reading of the accounts. It was perfectly obvious when you read the accounts that Sir Wyn would not have given that approval. What it needs for user discretion is that the board should be aware of it as well as it being properly minuted.

When we use discretion, every board member has to read the accounts with regard to where the discretion has been exercised. No board member is going to read every page of a 200-page report, but you have to focus them on, "Look, this is what we are saying about remuneration, particularly discretion. Everyone needs to be satisfied of every word". If that had taken place, people would have said, "This does not make sense".

Chair: The thing that is troubling me, Mr Staunton, is the difference between discretion and dishonesty. What you are suggesting there is that discretion was used by the Post Office, knowingly. The sign-off from Sir Wyn Williams, the letter, was not available, and, even though that was a requirement in order to exercise the bonus payment, the discretion was used to allow that to just happen anyway, yet that was still reported in the annual accounts that were reported to Parliament. To me that suggests that somebody knowingly knew there was false or misleading



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information in the accounts but allowed it to go through to the enrichment of senior executives anyway. That is accounting fraud.

Henry Staunton: I have seen no evidence of dishonesty in this whole process at all, Mr Jones.

Chair: That is because it was not minuted.

Henry Staunton: I know it is in the past, but I have not seen any evidence of it at all.

Q56 **Chair:** I just want to pursue this discretion point a little more, because it is a really important issue. Lisa Harrington, you were in the remuneration committee meetings. It says there was a wide debate and that the discretion was used. Did you have a conversation at the remuneration committee that said, "We do not have a letter from Sir Wyn Williams to approve this, but we are going to allow the payment to go through anyway"?

Lisa Harrington: We had the debate and we used an external report to validate—

Q57 **Chair:** Did you have the discussion about the lack of approval from Sir Wyn Williams?

Lisa Harrington: I think we acknowledged that that was no longer what we would use on the basis to assess—

Q58 **Chair:** Why did not you change the metric?

Lisa Harrington: It absolutely should have been changed and that should have been reflected.

Q59 **Chair:** You knew that it was inaccurate, you knew that you did not have the letter, you had that discussion and you decided to ignore it.

Lisa Harrington: We used an HSF report to validate that the sentiment of the metric was—

Q60 **Chair:** That is different, is it not, Ms Harrington? I am asking around the headline of the metric and whether you had an approval from Sir Wyn Williams to say, "I as the chair of the statutory inquiry am happy that you have complied with all of these metrics. Therefore, please go and give financial bonuses to your senior executives". The remuneration committee knew, did it not, that that letter did not exist, and yet you went ahead and reported that it did in your annual accounts?

Lisa Harrington: No, we applied discretion, which we were within our remit to do, to assess whether or not the sentiment had been achieved, and it had.

Q61 **Chair:** Mr Cooper, do you have anything to add on this issue of discretion?



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Tom Cooper: I am relying on recollection here, which is not necessarily always accurate, but my recollection is that there was no explicit acknowledgement in the remuneration committee discussion that we did not have a letter. The focus of the discussion was addressing the substance of the inquiry metric, which was, "Is the company going above and beyond in demonstrating culture change and co-operation with the inquiry?" That point was substantiated by the Herbert Smith Freehills paper that had come to the previous board meeting, and it was on that basis that the award was made.

Q62 **Chair:** Who was the metric owner that is reported to have existed?

Lisa Harrington: I would have to check that fact and come back to you.

Chair: If you could, please, because it seems to me that that person knows the answer to my question.

Q63 **Andy McDonald:** Mr Read, you have returned that portion of your bonus that related to the inquiry metric.

Nick Read: That is correct.

Q64 **Andy McDonald:** Have all other recipients of such a bonus voluntarily returned the payment?

Nick Read: As it currently stands, 30 of the 34 individuals who worked in the organisation have voluntarily paid their money back. One is on long-term sick and we have not yet heard back from three.

Q65 **Andy McDonald:** How much is that in total?

Nick Read: I do not have the exact sum in total but I can obviously provide that to the Committee as well.

Andy McDonald: That would be greatly appreciated. A lot of our colleagues have spoken in debates about the issues some postmasters in their constituencies are facing. Alistair Carmichael, the Member of Parliament for Orkney and Shetland, submitted the case of a sub-postmaster who said, "I am contracted to open for eight hours a week, but I have trained up everyone who works in the shop so that, if the shop is open, the post office is available. That means in the summer you can get access to the post office seven days a week, from 11 am to 4 pm. In the winter, we only open for five days a week, from 11 am to 2 pm. The post office is therefore getting 35 hours from me in the summer and 15 hours a week in the winter. For this I get paid £390.90 per month, slightly above the current minimum wage if I opened for eight hours per week".

Are you satisfied that the salary and bonus levels for Post Office executives are justified, given what I have just read out to you?

Nick Read: As I mentioned before, I am very conscious that we are very well paid. I am also very conscious that in the network estate at the moment it is challenging. There is no question that it is challenging in the



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estate at the moment, for a number of reasons: the rise in national minimum wage, the issues around cost of living and the issues around energy. We have made two specific interventions this year in terms of pay for postmasters, one in September and one in March.

In total, pay did rise for postmasters year on year, but clearly not as much as I would have liked it to have done. We will be focused again, as we go through this year, in making sure that we make interventions to ensure that, where there are hardship issues, we will address them. We have always had a hardship fund, if, for specific reasons, post offices have problems.

The estate, by which I mean the network itself, is as big as it has been for about five years. We have over 11,680 branches operating, but it is extremely complex. Everybody will know that many of the commercial operators on the high street are withdrawing. They are withdrawing because there is limited footfall, because consumer behaviour is changing and because people are going online. That makes the physical, face-to-face nature of the network that we operate very complex. Certainly, from my perspective, trying to find new avenues for revenue, new commercial opportunities and a new sense of purpose for the Post Office is part and parcel of what the Post Office must look like going forward.

We are doing that in a number of ways. We are doing it through cash and banking in terms of the growth of the banking hubs. We are doing it by bringing new providers and new carriers into the network to try to generate more income for our postmasters. We have even started to sell non-Royal Mail products in our post offices as well in terms of Evri.

You will be very aware—I know that the Royal Mail Group have been before you relatively recently—that there are troubles with the Royal Mail. Our business is inextricably linked to the Royal Mail. Of course it is. It always has been. 18 days' worth of strikes and six days' worth of cyber issues has dramatically impacted our international business as well as our standard postal business. There is much to be done. There is no question about that.

Q66 **Andy McDonald:** We have had an inquiry into the conduct of Royal Mail and we were horrified at some of the governance practices there as well, and the way that the people at the coalface of that industry were treated. We are worried today about those postmasters at the coalface of this particular sector. Do you think it might be a reasonable request that, when you are constructing your metrics in the future, you think about the situation that those postmasters face and whether they can have a decent living? That should be a conditionality element of your own remuneration package. Is that not reasonable?

Nick Read: That is fair.

Q67 **Chair:** Mr Read, can I just check? You said that you had paid back the bit of your bonus in relation to this false metric. What was that in real



terms?

Nick Read: £13,600 was the gross sum, but I paid back £7,200, which was the figure net of national insurance and tax, which had been paid already.

Q68 **Chair:** The thing I am slightly confused by, which you might be able to help me with, is that the remuneration committee minutes from August 2022 say that the payment that you received under the transformation incentive scheme was £177,000, but the metric where this false verification existed was in relation to 25% of that. 25% of £177,000 is £44,000, is it not?

Nick Read: The payback is with relation to the single sub-metric. That is what I paid back.

Q69 **Chair:** This is the thing I am a bit confused with, because the metric is above the sub-metric. The metric says that any actions or plans must have been endorsed by the inquiry, which assumes, therefore, that every sub-metric under it had to be approved by the inquiry. Nothing was approved by the inquiry, so therefore that whole metric should have been paid back—£44,000, not £7,000—should it not?

Nick Read: As Ms Harrington said, the wording was not specific in that sense. As I said, I volunteered to pay back the metric and that is exactly what I have done.

Q70 **Jane Hunt:** I want to talk about the remuneration for postmasters and postmistresses. Setting aside the universal service obligation, which you have through the Government, and the things that you have already talked about before, what else can we do, given that we have post offices in constituencies of colleagues, and indeed in my own, that are closing because of the lack of remuneration. Essentially, they do not have enough money to run. You have referred to products and services. Let us hear more about those. What else can we do to ensure that those postmasters and postmistresses carry on in their role?

Nick Read: Like any business, we need to cut our cloth in the centre as well. We have made a commitment that we will be reducing the costs of overheads within the centre of the Post Office by £40 million a year, which of course would go straight to the bottom line. Clearly, there are opportunities for sharing profitability more widely with postmasters, and that is a debate that I have with Government quite regularly. The success of the Post Office last year was largely as a consequence of our online business, and by that I mean our foreign exchange business and our insurance business, as well as our mortgage, savings and loans businesses. That frankly stood up the Post Office for last year's profitability.

My desire to is to make sure that we continue to have a very diversified source of income for the Post Office at large, and clearly we want to establish ways where we can share more profitability with postmasters. I



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do think that is the route forward. I know that the Minister has expressed views and is very open-minded about it, and that is something that we will explore more regularly.

Q71 Jane Hunt: You talked about interventions and hardship and so on, but in some cases these people simply cannot retire. They cannot afford to retire, so they are carrying on longer than they would like to. What else could we do within those buildings, within the post offices throughout the country, to help support products and services going in there so they actually become more profitable?

Nick Read: It is a very good question. Trying to drive more footfall on to the high street is the real issue. We want to provide opportunities for postmasters to be able to cross-sell, and cross-sell within their post offices. By that I mean that we have to get people into our branches. We are trying to think of ways that we can do that.

The notion of the village or town hub is absolutely essential. We have explored and experimented opening post offices in pubs, libraries and other institutions, and looking for new partners to operate with. 24% of the network as it is at the moment is with what we call our strategic partners, our larger players. They are doing well. They are operating well. They co-exist, obviously, whether it is in the Spar, or with Tesco or Morrisons. We find that the co-habiting of those two organisations is very successful. We will be looking to try to explore better ways to find different partners that we can do that with, whether it is with chemists or other people who are on the high street.

The notion of the hub is a very real one. A lot of people now and a lot of players on the high street are looking at different ways to operate concessions. We are too. We are trying to establish a different type of format for the Post Office that reflects the needs of our modern customer.

Q72 Jane Hunt: Would you agree, then, that a post office is essentially a destination for a town? It is not necessarily the case that you have to have other people around you in order to attract business, because you are attracting business to other people around you.

Nick Read: We would like to think that. We believe we do drive footfall, but one also has to be very cognisant that our two core product areas, which are mails and parcels and cash and banking, are both under pressure. Mail, in terms of social mail, is declining 7% year on year. The parcel volume is highly competitive, and the same applies within cash and banking.

We would like to think that the trust and the brand that is the Post Office is operating extremely effectively online. It will continue to do so, certainly, in terms of providing trust on the high street. Our cash business is growing extremely well. As everybody on this Committee will know, 5,600 bank branches have closed since 2015, and we are sweeping up. There are 2 million people who are unbanked. There are 8 million



people who use cash on a regular basis. We are providing that service. There is a great opportunity there for us to play a bigger role on the high street.

Q73 Chair: We will just wrap up this session on the annual accounts before we move to compensation. It is quite remarkable that what you are essentially saying to us today is that you should be allowed to use discretion in the fact that false information was reported in the annual accounts to Parliament that resulted in financial gain for senior executives. There is a contrast of that with the way that Post Office, albeit your predecessors, treated sub-postmasters for the alleged same issue, alleged that sub-postmasters had been dishonest and had stolen money. You prosecuted them and went hard on them, as you all know.

The contrast of that to you appearing before us today to say, "We are sorry we made the mistake, but it was discretion. It was not dishonesty; it was discretion, and we are allowed to do that", even though that discretion was not minuted and not reported in the annual accounts presented to Parliament, is quite remarkable. Mr Staunton, Ms Burton, now that you are running the board, I hope that you take these issues seriously and make sure this never happens again.

Moving on to the compensation scheme for Horizon victims, I just want to start by referencing something the Minister said to me in the Commons a little while ago. He said that the intention of the scheme is to return postmasters to the position they should have been in had they not been affected by the Horizon scandal. In legal terms that means before the Post Office prosecuted that sub-postmaster they would have had an income, property, business and projected income for the future. The compensation scheme should have put them exactly back in that position. That is not happening. Why not?

Nick Read: There are a number of different schemes that that we have in practice and in place at the moment. I would challenge your statement, particularly around the historical shortfall scheme, where we have delivered offers to over 99% of the individuals who applied to that scheme. That is 2,402 individuals. There are 15 that are still outstanding. 82% of people have accepted those offers and we have paid 71% of those offers out. It would be fair to say that is a good outcome if you were to benchmark this against other schemes.

We are not cloth-eared. We completely understand that there are issues with tax; there are issues with different categories of personal loss; there are issues with capping that have been in the media and in the press over the last three weeks. We are very live to those. I am very conscious that we need to provide the right and appropriate legal support; we will continue to do that and we are doing that, to make sure that the HSS scheme is done and is seen to be delivering the justice that you have just quite rightly outlined.



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Let us be very clear: we are all on the same page. I have said it now two or three times in this meeting. We as the Post Office cannot move on until such time as we have provided the right redress and fixed the issues of the past. The team that I have assembled and the team that is working for Mr Staunton are here to address the issues of the past. We were not the past but we must take ownership of the past and be accountable for it, but our job is to make sure that we deliver and provide the right levels of compensation. We have absolutely done that with the HSS scheme.

With the OHC scheme, which is the overturned historical convictions, it is taking longer. There is no question about that. It is taking longer, but we have also been really clear as a principle that we want to do this once and get it right. That, as many people will know from other schemes, has not been the case. With the overturned historical conviction schemes, we are not getting the right number of people that we would have hoped come forward.

We have tried a lot of avenues. I was here in January discussing this with you. What are the different ways that we can get postmasters to come forward and to claim the compensation that they are rightly due? How can we give them the level of closure that they need and they require, so that we as the Post Office can move on and, to your point, we can put them back to the position that they were in before any of this horrific miscarriage of justice?

We have struggled. 700 people had convictions that were associated with Horizon. We have managed to turn over and appeal 86 of those in total, but people are not coming forward. We have tried with Citizens Advice. We have tried with the CCRC. We have tried with advertising. I meet very regularly with postmasters who have been through this process, and it is very traumatising. There are individuals who have had horrific experiences. I am going to Northern Ireland on Thursday to meet with five other postmasters who have been through this process to see if I can understand whether peer-to-peer might work, whether they could help me by putting a video on our website or talking about something that is more cathartic that they can go through to provide closure. Our job is absolutely to provide closure to those 700 individuals, and it is immensely frustrating for me that the process is taking longer.

At the same time. we are trying to provide as much as we can in terms of interim payments. We paid £163,000 to individuals who have been through the OHC process. We are also paying interim payments for those who are in dispute. We are trying to break it down into pecuniary loss and non-pecuniary loss, so that we can compartmentalise and make sure that we get payments to people more quickly. That is something that we have listened to, and we have learned as we have gone along.

Let us be very clear: there has not been a compensation scheme of this size, complexity and scale. We are learning as we go. I am very open-



minded, and I am very keen to hear from others. As I said at the very start, we need to get this resolved so that we can move on, so that the 50,000 people who work in our network can have the full attention of the Post Office leadership team on them, and, more importantly, so that those who have been through this experience can get the level of closure that they deserve.

Q74 Chair: My question was specifically about the amount of compensation, the quantum, because we have had lots of case studies where offers have been made. In some circumstances the offers have been accepted, and the value of that compensation is nowhere near the value that that person has actually lost and suffered over the years as a consequence. What the Minister said to me on the Floor of the House, based on case law, implies that their compensation should be much higher. My question is why that is not the case.

Nick Read: As I said before, we have no cap. There is no limit to the amount of personal loss that people can claim for. We provide principles. We have tried to establish principles. I suspect the commentary that you are receiving is that people are saying the principles are somehow a cap. They are not a cap and they have never been a cap, but we have to provide guidance to the legal teams that are supporting postmasters and also to those that are trying to come up with the offers. That is very much what our historic remediation committee has done. That is the principle that they are establishing.

As I say, I would like to reiterate we will pay and we will continue to pay the legal fees that are appropriate. We will do that. I make no bones about it. I am also very clear that there is no cap. There is no cap, not only on what people can earn from particular personal loss, but also no limit to the type of personal loss that people can have.

Q75 Jane Hunt: Following on from what you have just talked about, there is no limit, absolutely, but again, throughout what you have talked about you have said several times that we cannot move on until these matters are resolved. When are these matters going to be resolved?

Nick Read: When is the compensation going to be settled? The historical shortfall scheme will come to its conclusion very soon. We have 15 outstanding. The late applicants to the historical shortfall scheme number some 226, of which we have settled 79 already. That will come to its conclusion very soon.

I know that the Minister has been very explicit about the GLO ex gratia scheme. He has set some very challenging timelines for that, which is December 2023 to have the majority completed, and then, from a statutory perspective, funding ceases in August 2024. That will be resolved by then. We have committed to support the GLO team in doing that.



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I need to have more people come forward for the overturned historic convictions. We want to get more people. I am deeply troubled that people are not coming forward. As I say, having met with a number of them I can understand why: it is too traumatising. I have come across individuals who will not even open mail from the Post Office and who simply will not enter into the spirit of the remediation we are trying to do, which is why we have been using external agencies to see if there is a different way to engage.

My objective, as I said on Thursday, is very much to try to extract, from the postmasters that I am going to meet, different ways that we can try to engage with people, which are not so challenging for the individual, so that we can make some progress.

Q76 Jane Hunt: Given we are on Parliament TV now and you are talking about it and encouraging people to join, on behalf of your organisation could we write to those people and ask them to become involved so they could gain the compensation they desire?

Nick Read: That would be fantastic. Genuinely, that would be fantastic. You can probably see I am very troubled by the fact that people are not coming forward. There is an opportunity here. We have been doing a specific piece of work to identify whether there are any potential appellants or potential individuals who have been prosecuted. We can already say to them, "Come forward. We will not oppose you". That is what we doing at the moment. We are going through an exercise to do that. Thank you for that offer. It is a great offer. It is one that we will take up with you and make sure that we execute.

Q77 Jane Hunt: I just have one question on that before I move on. Have you come across any moment when the Government have prevented you from helping these people in any way?

Nick Read: Progress, quite rightly, is at times slower than we would like it to be. I have mentioned it before when you were in your role. By and large, we are actually working well. The Government are acutely conscious that they have responsibilities, and we are obviously acutely conscious that we want them to go faster. There is a natural tension there, of course.

Q78 Jane Hunt: The statutory instrument exempting court group litigation order compensation from income tax, national insurance contributions and capital gains tax came into force on 16 March 2023. Some postmasters and postmistresses faced a large tax burden before this came into effect, because they had already got their compensation and then had to pay the tax. What are we doing to resolve that?

Nick Read: I am delighted that the Minister made the announcement yesterday that all three schemes—the HSS scheme, the overturned historical convictions scheme and the GLO scheme—will have a similar tax regime across them. They will be tax exempt. The individuals in the HSS scheme, which is specifically the one that you are referring to, will



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be treated as additional rate taxpayers. It is generous and it is quite specific. Obviously we want to get on and address those 2,402 who we have settled with already and make sure that, from a tax perspective, they are put back, as the Chair said, into the position that they were before this.

Q79 **Jane Hunt:** Is the Post Office working that out on their behalf?

Nick Read: We are.

Q80 **Andy McDonald:** Without going into the specific elements of the historical shortfall scheme and other areas that perhaps colleagues may want to explore, can I just come back to the global issue of quantum? The Minister did say that the purpose was to return postmasters to the position they should have been in had they not been affected by this issue. That is the purpose of litigation, really. The whole point of pursuing compensation is to put you in the position that you would have been in had the insult not occurred in the first place.

I share the Chair's concern that, as a lawyer in a previous life, we would be looking at past losses and applying calculations to that, and the interest to be applied there too. We would also be looking at future losses, including pension losses. Of course, let us not forget all those people who went to jail and were deprived of their liberty. There is a case here for aggravated damages. Chair, I would suggest that there is even a case for exemplary damages, given, first, the reprehensible nature of the actions visited upon these postmasters, and, secondly, as a punishment to stop people doing this ever again. There is evidence of cruelty in the way these things were pursued—malice, abuse of power and excessiveness.

When I step out of this context and I look at it in a civil litigation context separately, if I had a schedule of special damage and future loss it is likely to exceed the offers that are being met. Has any comparison been made through that process with some of the cases that have been settled already to benchmark in the way that you describe?

Nick Read: It is a very good question. We are going back to look at the challenges that we have had. I said at the very start I did not want to be cloth-eared. When people come up with suggestions and say there are tax issues, personal loss issues or capping issues that have affected the scheme, we want to make sure that we check those and make sure that there are.

There are two points that I have not mentioned. We have an independent panel that governs the principles by which the schemes are operated, and that is a genuinely independent panel. As Post Office, we cannot be the individuals that prosecuted 10, 15, 20 years ago and then be entirely dependent upon us for the compensation. That cannot be right. We have an independent panel that governs this process. They are the individuals that articulate the principles and provide the guidelines.



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As the Minister may well have mentioned to the Chair as well, he has brought in an advisory panel with Lord Arbuthnot, Professor Moorhead, Kevan Jones and others to oversee all schemes, not just the GLO ex gratia scheme. They are obviously getting up to speed right now, and I am sure we can expect levels of scrutiny from them as well.

Q81 **Andy McDonald:** Mr Read, some of us would have preferred you just to let people get on with their claims themselves and set up their own schedules of special damage and future loss and have their own lawyers, and for the Post Office to pay the compensation and pay the costs. That is one way you could do it, but that has not happened. There is a scheme. Is there any active comparison with what would have been obtained had people taken that former route?

Nick Read: I can only answer it in the specific way, which is that the independent panel is operating by looking right the way across the legal system to ensure that the principles and the guidelines that they are providing for the offers that are then made are made in the right way. We then provide legal advice if you want to go into dispute. What we do is we already pay 80% of the offer we have made while you are in dispute, and if there is a dispute, we go through a mediation process and dispute resolution process that is independently handled to make sure that we come to the right outcome.

As you are well aware, the Post Office does not have the funds to do this. We are doing this with the Government, and that is how the process works. I am constrained, quite naturally, by what I can and what I cannot do. As I say, my objective is exactly the same as the Minister's. It is to make sure that we get people back into the position that they were before this happened.

Q82 **Andy McDonald:** You said earlier that there is no cap, so where is the constraint?

Nick Read: Where is the constraint from my perspective?

Q83 **Andy McDonald:** You can have one way or the other. You can either have an uncapped facility or you can be constrained. Which is it?

Nick Read: There is no cap on particular claims. People can put in those claims. Clearly, the independent panel will determine whether or not those are fair.

Q84 **Andy McDonald:** No, I am not asking about that. I am not asking on the cap that people claim; I am asking on the cap in terms of what is paid to people. Is there a principle of limit on what is paid out to people?

Nick Read: No.

Q85 **Mark Pawsey:** In your opinion, are the sums that affected postmasters are receiving fair and adequate for the trauma, the trouble and everything that they have gone through?



Nick Read: I am not a lawyer.

Q86 **Mark Pawsey:** You must have an opinion. You have heard the tales and accounts of the people who have been affected, and you know the sums of money that they are receiving. We had a bit of discussion about remuneration levels earlier. Do you honestly think the kinds of sums that people are receiving are adequate compensation for what they have gone through?

Nick Read: I said at the start that our objective is to make sure this is fair. I have looked at the principles and I understand the principles. I understand the fairness that is being applied. As I say, from my perspective that is the case. I believe it is happening.

Q87 **Mark Pawsey:** The sums that people are receiving, in your opinion, are fair and appropriate?

Nick Read: I believe it is happening in the right way.

Q88 **Andy McDonald:** There are a lot of families of those who have died before they have received compensation. Reading this briefing paper, I think I am right in saying that four people took their own lives. Will those families receive compensation in their absence, and will tax be payable?

Nick Read: I am not sure about inheritance tax on that, but my understanding is that all bereaved estates can claim. Obviously we will make sure that that happens. The tax status is outside of the Post Office's gift, but we will make sure that all schemes operate to the same tax regime.

Chair: We have come to the end of this session. This Committee is often asked, off the back of these hearings, what happens next. We will write to you formally, but there are a number of things that I would ask of you off the back of today's session. We are going to confirm who the metric owner was for the false metric that appeared in the annual reports. I would also be grateful if I could get clarification of the Deloitte audit process that seemed to be a bit confused, so that I can understand that process better.

I would ask you to think about whether all of you need to repay 100% of the bonus in relation to the metric about the inquiry. I do not think the repayment you have made is sufficient. It should be 100% of that part of the incentive scheme.

Mr Staunton, I would like you to report back to us about what actions have been taken to improve corporate governance at the Post Office so that this does not happen again. I would like that to be discussed with the Financial Reporting Council as well, just so that they can give us confidence that what seems to be very inadequate corporate governance is not going to become a widespread problem at the Post Office. Thank you. We will now call this session today to an end.