

# Business and Trade Committee

## Oral evidence: Post Office and Horizon – Compensation follow-up, HC 477

Tuesday 16 January 2024

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Business and Trade Committee members present: Liam Byrne (Chair); Douglas Chapman; Jonathan Gullis; Antony Higginbotham; Ian Lavery; Anthony Mangnall; Julie Marson; Charlotte Nichols; Mark Pawsey.

Justice Committee member present: Sir Robert Neill.

Questions 84 - 225

### Witnesses

[III](#): Nick Read, Chief Executive, Post Office; Paul Patterson, Director, Fujitsu Services Limited.

## Examination of witnesses

Witnesses: Nick Read and Paul Patterson.

**Chair:** Welcome to the third panel for this morning's Business and Trade Committee hearings on the Post Office and Post Office compensation. Our third panel includes representatives of the Post Office and Fujitsu. Can you just say a quick word of introduction and then we will get into the questioning?

**Nick Read:** Good morning, Chair. My name is Nick Read. I am the group chief executive of the Post Office.

**Paul Patterson:** Good morning, Chair. My name is Paul Patterson and I am the director of Fujitsu Services Ltd here in the UK and CEO of Europe.

Q84 **Chair:** Thank you. Mr Patterson, can I start with you, please? Would you say that Fujitsu is an ethical company?

**Paul Patterson:** First, may I comment on what I have just been listening to this morning? To the sub-postmasters and their families, Fujitsu would like to apologise for our part in this appalling miscarriage of justice. We were involved from the very start. We did have bugs and errors in the system and we did help the Post Office in their prosecutions of the sub-postmasters. For that, we are truly sorry.

Chair, to your question around our ethics, I believe we are an ethical company. The company today is quite different to the company in the early 2000s and clearly we need to demonstrate that to our customers, to Government and to wider society here in the UK.

Q85 **Chair:** I have in front of me the Fujitsu code of conduct. It says, "We treat customers, business partners and competitors fairly and with respect." Did you live up to those values when it came to the sub-postmasters?

**Paul Patterson:** No, we did not. It is very clear from the evidence before the Committee and also in the inquiry that our standards were not at the level that we adhere to and state, as you rightly read. I am personally appalled by the evidence that I have seen, what I saw in the television drama and the statements I have seen from the victims to the inquiry. We did not stand up to that in those periods of time.

Q86 **Chair:** Do you accept that Fujitsu evidence was used to put innocent people in prison?

**Paul Patterson:** Yes, there was evidence from us. We were supporting the Post Office in their prosecutions. There was data given from us to them to support those prosecutions, so yes.

Q87 **Chair:** Do you accept that before 2010, your staff knew that there were problems with the Horizon system?



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**Paul Patterson:** The information that we shared with the Post Office as part of our contract with them was very clear. The Post Office also knew there were bugs and errors.

Q88 **Chair:** Just to zero in on this, did staff in your organisation before 2010 know that there were problems with the Horizon system?

**Paul Patterson:** I believe that Sir Wyn—

**Chair:** A simple yes or no.

**Paul Patterson:** I don't personally know, Chair. I think the inquiry is looking at that very point—

**Chair:** What is your gut feel?

**Paul Patterson:** My gut feel would be yes.

Q89 **Chair:** Okay. You have said that you are an ethical company. You have said that your evidence was used to put innocent people in prison. You have said that staff in your organisation knew that there were problems with the system. Can you tell us how much you now think your company should contribute to the compensation bill?

**Paul Patterson:** The inquiry is dealing with some very complex matters over—

Q90 **Chair:** But is there a moral obligation, Mr Patterson, for you to contribute?

**Paul Patterson:** I think there is a moral obligation for the company to contribute, and I think the right place to determine that is when our responsibility is very clear. There are many parties involved in this travesty.

Q91 **Chair:** I have just read your last set of accounts which have been published. You have not made any provision in those accounts for a contribution to the compensation, but you are telling the Committee today that you believe there is at least a moral obligation for Fujitsu to contribute.

**Paul Patterson:** When the inquiry finishes—

**Chair:** That is a simple yes or no: is there a moral obligation for Fujitsu to contribute?

**Paul Patterson:** I have already answered—*[Interruption.]*

**Chair:** It's okay; you can keep going.

**Paul Patterson:** Yes, I believe there is a moral obligation, and I have already said that. I think it is also important that the inquiry deals with these very complex matters, with all the parties involved. Yes, we have a part to play and yes, the Post Office. Already this morning we have talked about lawyers and about the law. I think all those matters need to be discovered to bring transparency and to bring the truth. In that context,



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absolutely, we have a part to play and to contribute to the redress fund—I think were the words that Mr Bates used—for the sub-postmasters.

- Q92 **Ian Lavery:** Mr Patterson, do you accept that a Fujitsu covert unit, as shown on the ITV documentary, actually existed, whereby members of your team were able to access sub-postmasters' computer systems in their own offices and to change data without sub-postmasters knowing that that had been done?

**Paul Patterson:** I don't recognise the term "covert". I was not there—

**Ian Lavery:** Did it happen? Was that happening?

**Paul Patterson:** We have already stated that there was remote access to these systems. What took place or did not take place in those interventions is certainly one of the streams of work that the inquiry is looking at, but there was remote access.

- Q93 **Ian Lavery:** "Covert" means secretly. If you have people in your offices, or wherever, accessing the sub-postmasters' accounts remotely and altering them, that is covert, isn't it? It happened without the sub-postmasters having any idea whatsoever of it happening. I'm not a solicitor, but that would certainly border on being illegal, in my view.

**Paul Patterson:** The support and the interventions remotely from Fujitsu have been documented, and it is clear that the Post Office was certainly aware of that remote access. That was clear for some period of time.

- Q94 **Ian Lavery:** The Post Office denied that, didn't it?

**Paul Patterson:** I believe they did.

- Q95 **Ian Lavery:** So the Post Office was not telling the truth at the time. Is that your understanding?

**Paul Patterson:** I only know what I know, and I know that certainly, as part of that process, the remote access was documented and communicated.

- Q96 **Ian Lavery:** What would you say to that, Mr Read—that the Post Office was very much aware but denied it?

**Nick Read:** I have only been in the organisation since 2019, so it is difficult for me to comment. I think the most—

- Q97 **Ian Lavery:** You've got to comment on the Post Office: you are in charge of the Post Office.

**Nick Read:** I think the most important place for the commentary is going to be Sir Wyn Williams's inquiry. We are obviously co-operating with him wholeheartedly to make sure that all information that we have and that we are aware of is supplied to that inquiry. Clearly, there will be individuals from the Post Office who will be providing witness statements and who will be coming forward to give insight into that.

- Q98 **Ian Lavery:** Whistleblowers have come forward and said that,



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undoubtedly, there were problems with the Fujitsu Horizon system. Why did Fujitsu or the Post Office just sit back and take absolutely no notice of the sub-postmasters, rather than listening to them, trying to help them and getting the issues resolved amicably? Basically, the attitude was, "We're just going to prosecute these people." And basically, they feared for their livelihoods, and some actually committed suicide as a result of the Post Office policy. Why was this the case?

**Nick Read:** As I say, I cannot answer for specifically what was happening pre-2015; I simply was not in the business at the time. What I can empathise with is that I have spent a lot of this last year speaking individually to postmasters who are victims of the scandal. I have had private meetings with over 30 of those, and a number of them have certainly talked to me about the trauma associated with the way that they were treated and handled in this. I think that has come through in the human evidence displayed at the inquiry, and it has also come through very clearly in the way that they were treated.

Clearly, from our perspective, we want to make sure that, as an organisation, we give Sir Wyn every single opportunity so that he can make sure that he can get to the truth. That is clearly what the—

**Chair:** We would expect nothing less.

**Nick Read:** I absolutely agree with you, Chair. That is exactly what we need to do. We know that it is an extremely complex situation. It has been going on for 25 years. There is an enormous amount of documentation and data. But we want to make sure that we give Sir Wyn every opportunity to understand what exactly happened, who was accountable, and what we do next.

Q99 **Ian Lavery:** What happened to the money that Jo Hamilton and others paid?

**Nick Read:** I have obviously become aware, as a consequence of the evidence that has been provided, that there is an ongoing issue associated with suspense accounts. We have had that investigated two or three times by external agencies, and we have provided that data to Sir Wyn. He can obviously draw his conclusions specifically.

As I understand it, I don't think that we got to the bottom or the nub of what was going on with those suspense accounts. Lord Arbuthnot spoke to me about that when I first joined the organisation in 2020. It is something that we have struggled to uncover, because the quality of the data is not good enough going back over 10 years, to be honest. But it is, as I say, something that we have spoken to our auditors about and that we had an external third party look at prior to my time. It is also something that Second Sight called out.

We have provided that information to Sir Wyn—he will be able to draw his conclusions, given all the evidence that he is gathering—and we will get to the bottom of exactly what happened. This is obviously pre-2015.



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Q100 **Ian Lavery:** Is there a possibility that the monies that the sub-postmasters paid ended up in the coffers of the Post Office and that, as part of the profits, the monies were then paid to dividend holders? Indeed, could they have been part of hefty remuneration packages for the Post Office executive?

**Nick Read:** It is difficult to say.

Q101 **Ian Lavery:** Why is it difficult?

**Nick Read:** This is pre-2015. I do not have the context of what the—

Q102 **Ian Lavery:** But is it possible?

**Nick Read:** It is possible—of course it is possible. Absolutely it is possible.

Q103 **Ian Lavery:** Mr Patterson, you knew that there were glitches in the system. Why did you sit back and do absolutely nothing about that?

**Paul Patterson:** I don't know. I really don't know, and on a personal level, I wish I did know. Following my appointment in 2019, I have looked back on those issues with the company and at the evidence that I have seen, and I just don't know. What I do know is that the inquiry is looking at the very point of who knew what, and when, and at what action they did or did not take to draw attention to concerns. I just don't know.

Q104 **Ian Lavery:** Mr Read, in 2015, the Post Office chief executive, Paula Vennells, told a Committee that she believed the prosecutions were sound. Things have obviously changed dramatically. Do you think that the Post Office attempted to mislead Parliament and the public to cover up its own failings?

**Nick Read:** I can't specifically comment on that. What has become very evident is that a number of cases have come to light. We have seen 2,500 colleagues come forward in the Horizon shortfall scheme, and we have seen a number of overturned convictions. Clearly, Sir Wyn will be looking very carefully at what has happened, and we are all very keen to get to the bottom of this.

I have been very clear, since I joined the organisation, that the Post Office simply cannot move forward until such time as proper redress has been determined and, more importantly, paid out and given to those victims of this scandal. We know that. Certainly, from our perspective, we will provide everything we can to Sir Wyn so that he can make these pronouncements. I know it is a frustration for the Committee that, certainly in my instance, I was not in the organisation. You would like specific answers and it is very difficult to do that.

Q105 **Chair:** Well, we would expect you to know the history, given your full co-operation with the inquiry, Mr Read.

**Nick Read:** Absolutely, and that is exactly what we are doing. We are providing full co-operation with the inquiry, and that is clearly the right place for us to apportion blame when Sir Wyn has made his



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pronouncements. That is very clear, and we want to make sure that he does that and does that well.

**Ian Lavery:** Chair, can I just say that I have asked three or four questions and I haven't had one answer yet? The reality is that we have the head of the Post Office and the head of that department of Fujitsu, and the answers have been absolutely negative. If we are bringing people in front of the Committee, we would expect them at least to have knowledge of the history of what has happened for something as big as this. I haven't had any answers to the questions I have asked. I am not frustrated; I am absolutely appalled at the answers I have received.

Q106 **Jonathan Gullis:** Mr Patterson, can you tell me specifically when management in Fujitsu—ideally the month and the year—knew about the Horizon system being faulty?

**Paul Patterson:** I can't answer a month and a year to your question.

Q107 **Jonathan Gullis:** Not even a year? You said at the beginning to the Chair that there were issues with the system. Is it that there were issues with the system from day one, or is it something that was discovered later on? As reported in the *i* this month, "'Near-identical' errors were found in an earlier Post Office IT project supplied by" a subsidiary of Fujitsu, ICL Pathway, in 1999. So I ask again: when were management aware? If you are unable to answer now, will you commit to asking executives to formally write to the Chair of the Committee to provide that detail?

**Paul Patterson:** I will say two things. First, there were known bugs and errors in the system at a very early stage. You asked me for the month and year; I can't give you the month and year, but from the very start there were bugs and errors in the system.

Q108 **Jonathan Gullis:** Why did this earlier project fail? Why was the trial of the system showing errors in ICL Pathway, which could potentially have led to thousands of sub-postmasters being prosecuted? Why was this earlier system, which was near-identical to Horizon, flashing up errors?

**Paul Patterson:** I don't know what was happening in 1995 to 1999. What I do know is that there were bugs and errors in the system when it rolled out. In any large IT project, there will always be some bugs and errors in any system, particularly one of this scale. The important thing is what we do with that information. Did we take it and share it with the Post Office? Yes, we did. How the Post Office then chose to use that information in their prosecutions is entirely on the Post Office's side.

Q109 **Jonathan Gullis:** You accept that there were faults with the system, Mr Patterson, and you say you passed it on the Post Office—basically, you have passed the buck, from what I have just heard. But your own marketing material describes the Horizon system as "the most advanced and secure electronic banking and retail network in Europe". In your own communications to sell your product around the world, you were using Horizon as a great example, but you are saying here and now that errors



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were known. When was the first error—again, month and year—passed to the Post Office?

**Paul Patterson:** I can't tell you the month and year.

Q110 **Jonathan Gullis:** Will you commit to writing to this Committee to tell us when?

**Paul Patterson:** I know that one of the phases of the investigation with Sir Wyn is particularly about when the systems rolled out, the training for the sub-postmasters and so on. I can commit to the Chair that I will revert back to what we have already submitted to the inquiry in this area. It was an area that was discussed early on.

Q111 **Jonathan Gullis:** I find it quite remarkable that you don't know when.

Okay: let's go to the point about the Horizon system. David McDonnell, who was part of the Horizon development team, told the inquiry that of eight people in the development team, "two were very good, another two were mediocre but we could work with them, and then there were probably three or four who just weren't up to it and weren't capable of producing professional code". My stepfather spent his entire professional life writing code for many different IT firms, so it is quite worrying that half—actually, two thirds—of your team were incapable. Are the current Horizon development team very good, mediocre or incapable?

**Paul Patterson:** The current Horizon system is very different from the old system. I do not believe that we have software development taking place today. The system is in, and is just being operated; it is not being developed.

Q112 **Jonathan Gullis:** Mr Read said that he has now met 30 sub-postmasters and postmistresses. How many have Fujitsu executives or yourself met?

**Paul Patterson:** I have not met any sub-postmasters physically.

Q113 **Jonathan Gullis:** Has any Fujitsu executive met any of the victims?

**Paul Patterson:** I do not know, Mr Gullis.

Q114 **Jonathan Gullis:** Why has Fujitsu decided not to meet victims?

**Paul Patterson:** I have not not decided to meet the victims. I have personally watched the drama on TV and read the evidence that was given in the impact statements by sub-postmasters, and I have also watched some of the YouTube videos of it.

Q115 **Jonathan Gullis:** Can I ask why it has taken an ITV drama to inspire Fujitsu to become much more forthcoming? Why did Fujitsu not decide to reach out? I think they had legal representatives who I am sure would very happily have put people in contact. Why are Fujitsu executives happy to not meet? Actually, the Post Office have really only just started, but at least they are doing it. Why is it that Fujitsu feel that they are above that?

**Paul Patterson:** I certainly don't feel that I am personally above that, and I don't believe that the company feels that it is above that either.



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What I do believe is that we need to get to the bottom of the entire truth, and make sure that that truth is transparent and we do not just jump to a particular soundbite.

Q116 **Jonathan Gullis:** What is Fujitsu's position on the proposed emergency legislation? Do you think the prison sentences are appropriate or inappropriate for those who have been declared guilty to date?

**Paul Patterson:** I have no expertise to determine what the Government or Parliament need. I have no expertise.

Q117 **Jonathan Gullis:** Will Fujitsu give its full support to all victims to have their convictions quashed?

**Paul Patterson:** I will say two things on this topic. Since my appointment, I have been absolutely steadfast in our support for the inquiry, and any information that a sub-postmaster needs of Fujitsu—

Q118 **Jonathan Gullis:** Mr Patterson, we are not talking about the inquiry; we are talking about legislation that we are hearing might come before the House in a matter of weeks. Will Fujitsu support what the Government intends to do to quash the convictions of those who have been wrongfully convicted in the largest miscarriage of justice this country has faced?

**Paul Patterson:** It is an appalling situation, and while I am in this role I will do everything I can to make sure any information that we need to give—

Q119 **Jonathan Gullis:** Surely it is a simple thing. Will Fujitsu support the Government in quashing these convictions? Do Fujitsu accept that everyone under this scheme should have their convictions overturned?

**Paul Patterson:** It is very clear from the inquiry that the answer would be yes.

Q120 **Jonathan Gullis:** Mr Read, out of interest: the Post Office share that view, I am assuming?

**Nick Read:** We do. We are very clear that we want to ensure that redress is done as quickly as possible. The scheme for mass exoneration that the Minister has put forward—we welcome that.

Q121 **Jonathan Gullis:** A final question from me, Mr Read: can I ask whether the Post Office have hired any public relations companies to handle this crisis after the drama aired? If so, how much are the Post Office paying for that advice?

**Nick Read:** No, we haven't.

Q122 **Chair:** Can I just check a couple of points on the timeline? We have a report in *The Times* today about a whistleblower from the Post Office who says that as early as 2001, "You could go into their cash and adjust it, or wipe their cash off completely...You could go into their stock declaration and add...stamps" and so on. In a sense, we have evidence here, in 2001, of a member of Post Office staff acknowledging that remote access to the



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terminals is possible.

We then have, from 2013, tapes that show the Post Office company secretary preparing to brief Paula Vennells about whether remote access to Horizon accounts was possible. We then have the Clarke advice in 2013 warning that a former Fujitsu Horizon architect had given incorrect evidence to courts pertaining to remote access.

I just want to check, Mr Read: from your point of view, when do you think Post Office staff first knew that remote access to Horizon terminals was possible?

**Nick Read:** I could not give you an exact date on that.

Q123 **Chair:** Why can you not answer that question? It is fundamental to this case.

**Nick Read:** What is fundamental from our perspective is that we are facilitating Sir Wyn getting to the bottom of all of these issues. That must be the right thing.

Q124 **Chair:** How long have you been the chief executive now?

**Nick Read:** Because coming into the organisation—

**Chair:** How long have you been the chief executive now?

**Nick Read:** Four years.

Q125 **Chair:** You must surely have had time in four years to cut to the heart of this issue, which is when the Post Office knew that remote access to terminals was possible.

**Nick Read:** My role, certainly coming into the Post Office, is to do a number of things. Of course it is to speed up, as much as we can and as quickly as we can, the compensation that is being paid. That must be the right start point—that has to be.

Q126 **Chair:** Surely you must be telling Sir Wyn's inquiry when somebody in the Post Office knew that remote access to terminals was possible.

**Nick Read:** We will be providing Sir Wyn with all the information that he requires as and when he does it.

Q127 **Chair:** But what is the answer?

**Nick Read:** I haven't got that specific date. I can come back to you with what we have supplied. In the same way as Mr Patterson has described that we will come back to you, I can do the same.

Q128 **Chair:** I think we are both surprised and disappointed that you have not got that question answered on the table.

**Nick Read:** Okay.

Q129 **Mark Pawsey:** I share your concern, Chair, about Mr Read's lack of opinion about what was happening in the Post Office prior to him joining four years ago.



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Mr Read, you joined with a pretty stellar career in the retail sector: you had worked for many big companies, and you have very broad business experience. As the Business and Trade Committee, we are concerned about the performance and practice, including the ethics, of businesses in the UK. How would you describe the practice and ethics of the Post Office in the period before you joined it—perhaps from the period between 2000 and you joining in 2019?

**Nick Read:** When I joined in 2019, what struck me about the organisation was that it was in shock and paralysis as a consequence—

**Mark Pawsey:** It was in shock and paralysis?

**Chair:** Paralysis is right, yes.

**Nick Read:** As a consequence of the common issues judgment and the Horizon issues judgment. That would be my first observation.

Certainly from my perspective, trying to address that culturally was extremely important, and that is what I have spent my time trying to do. Indeed, that is why obviously we settled with the GLO almost immediately after I had joined the business. Part of the challenge that I have found is that clearly, as you will be fully aware, this scandal has gone on for a very long time: 25 years. Obviously there is a mindset that needs to be changed for people to understand just exactly what has happened, which is why it is important that senior executives in my team go out and meet with the victims so that they see what has occurred.

To your point on culturally trying to understand what is going on in our business, people need to see and feel what has happened to some of these victims.

Q130 **Mark Pawsey:** Was the existence of this issue dominating all thoughts that you and your senior management team had about the nature of the business that you were being asked to manage?

**Nick Read:** I don't think it was dominating everything in 2019 when I joined, no.

Q131 **Mark Pawsey:** It was an insignificant part?

**Nick Read:** No, I would not say that it was insignificant, but to your point, I do not think it was dominating everything. That is why it is and was so important to change that.

Q132 **Mark Pawsey:** You sat through the evidence given earlier today. Did you hear Lord Arbuthnot talking about the unequal relationship that exists between postmasters and the Post Office itself?

**Nick Read:** Yes.

Q133 **Mark Pawsey:** He spoke about the Post Office being a "most trusted" brand. Was it a most trusted brand then, and is it a most trusted brand now?



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**Nick Read:** I think his principle was absolutely right, which is that it is not the corporate entity that is trusted; it is the relationship between customers and their local postmasters. That is what the brand is, and I think we need to—

Q134 **Mark Pawsey:** So you recognise the value of the postmaster in the way that Lord Arbuthnot described.

**Nick Read:** I absolutely do. The Post Office is the postmaster.

Q135 **Mark Pawsey:** So why did Jo Hamilton, one of the people who have been delivering your most trusted brand, say that when inquiries were being made about the reconciliation within her branch, she felt as though a financial gun was being held to her head?

**Nick Read:** It is appalling: that is the obvious comment that I would make. I have enormous empathy for what Jo went through. I have to say that we have all listened to what has occurred in the inquiry and the evidence gathering that has occurred in the inquiry, as well as the evidence that has been provided by former colleagues. It is appalling—there is no question about that.

Q136 **Mark Pawsey:** We have also heard today that there was a belief that where something was identified as a failure or as missing—as happens with all sorts of businesses and all sorts of accounts, as you will well know—the motive of the investigators was asset recovery rather than trying to identify what might have happened. How can that be the attitude of a most trusted brand?

**Nick Read:** It is deeply concerning. I agree with you entirely. It is deeply concerning, which is why—

Q137 **Mark Pawsey:** Do you accept that characterisation?

**Nick Read:** We have heard evidence in the inquiry to that point. That is what has been provided. It is very clear to me that there is a reason why we have not prosecuted anybody in the Post Office—certainly not under my watch and certainly not before 2015—and we have no intention of doing so.

Culturally, we have a long, long, long way to go to ensure that actually we put our postmasters first. To your point, they are the brand. The postmasters are the brand. The relationship between postmasters and their customers is what matters. Certainly, we at the corporate entity need to recognise that we are here to serve those postmasters.

Q138 **Mark Pawsey:** We have heard this issue described as the largest miscarriage of justice in British legal history—but more importantly for you, as somebody running a business, it is a £1 billion liability against the Post Office. Do you recognise that sum? What provision have you made for it in your accounts?

**Nick Read:** Sorry, can you ask the question again? The £1 billion liability being what: the erosion of—?



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**Mark Pawsey:** The liability on the Post Office for this matter being £1 billion. What provision have you made for it?

**Nick Read:** Well, I think—

Q139 **Mark Pawsey:** Do you accept the figure, first of all?

**Nick Read:** No, I do not really accept the figure.

Q140 **Mark Pawsey:** What is the figure?

**Nick Read:** You will see in our report and accounts published at the end of last year—we, like Mr Bates mentioned today, have been concerned that people are not coming forward. The funding has been provided by Government to address the compensation issues, but we are still struggling to get people to come forward, and that is a problem for us.

Q141 **Mark Pawsey:** You are running a business and you have this liability. What is your assessment of the extent of the liability, as we sit here today?

**Nick Read:** As I say, we reduced our provisions because people were not coming forward to claim compensation—

Q142 **Mark Pawsey:** What is your assessment of the figure, Mr Read?

**Nick Read:** I think what has been done in the last 10 days in terms of the potential to mass-exonerate—that is obviously going to generate a lot more people coming forward, so I think the scale of the problem is going to increase.

Q143 **Mark Pawsey:** Is the £1 billion figure we heard from Lord Arbuthnot likely to be realistic?

**Nick Read:** I think it is unlikely to be that size, but it may well be.

**Mark Pawsey:** It could be £1 billion?

**Nick Read:** It may well be.

Q144 **Sir Robert Neill:** Mr Read, when you took over in 2019, the Post Office was already engaged in substantial civil litigation brought by the postmasters.

**Nick Read:** Yes.

Q145 **Sir Robert Neill:** So you, as chief executive, would have wanted to bring yourself fully up to speed with the background of that, I am sure. Having done that, can you help us as to why it was that nobody in the Post Office ever queried why there had been such a sudden uptick in the number of prosecutions of your postmasters? That question never seems to have been asked. Can you help as to why?

**Nick Read:** As in the number of—

**Sir Robert Neill:** Prosecutions.



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**Nick Read:** From the introduction of Horizon right the way through? My assessment is that there were as many prosecutions pre-Horizon.

Q146 **Sir Robert Neill:** Have you got any figures for that that you can provide?

**Nick Read:** We will provide you with that data, yes.

**Sir Robert Neill:** If you could do that, that would be most helpful.

**Nick Read:** To your point, none the less what astonishes me, when I look back at 2019 through to 2015, is that there were between 55 and 75 prosecutions, approximately, every single year. It is an extraordinary number, don't get me wrong: it is an absolutely extraordinary number. That lack of curiosity from individuals saying, "Why is this the case? What is going on?", is something that remains a mystery. I am sure that, as I say, Sir Wyn will understand from those involved quite precisely why that was the case and what happened.

Q147 **Sir Robert Neill:** Horizon was also used in the Crown post offices, was it not?

**Nick Read:** Yes, it was.

Q148 **Sir Robert Neill:** Has any investigation been done as to what happened there, in terms of discrepancies?

**Nick Read:** In terms of discrepancies more specifically or over a particular time period?

Q149 **Sir Robert Neill:** Was anybody prosecuted who was an employee of a Crown post office?

**Nick Read:** I am not 100% certain.

Q150 **Sir Robert Neill:** Were deficiencies found in Crown post offices? Can you help me?

**Nick Read:** I have not got that detail.

Q151 **Sir Robert Neill:** Perhaps you could try to research it and provide it.

**Nick Read:** I will.

Q152 **Sir Robert Neill:** You concede that you are not now undertaking private prosecutions.

**Nick Read:** Correct.

Q153 **Sir Robert Neill:** Do you accept that because of the failures, as things stand, the Post Office is unfit as an organisation to carry out private prosecutions?

**Nick Read:** I do not think the Post Office would want to carry out private prosecutions. I have been very clear that on my watch, it will not. I see no reason why it should continue to do so.

Q154 **Sir Robert Neill:** Mr Patterson, the Post Office, in carrying out those prosecutions, submitted witness statements by its investigators that



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attested to the robustness of the Horizon system. One assumes from the evidence that we have heard that they must have had information from your company, Fujitsu, to suggest that it was robust. What do you say to the prospect that inaccurate information provided by your company led to wrongful prosecutions of people who were subsequently imprisoned? That is a scandal, isn't it?

**Paul Patterson:** That is exactly one of the topics that the inquiry is looking at—exactly that topic about what evidence was given to the Post Office from Fujitsu to support the prosecutions. I said in my opening point that we did support the Post Office in those prosecutions and we did give them information to do that.

Q155 **Sir Robert Neill:** If that was done, subject to the outcome of the inquiry, there is a moral obligation and perhaps a financial obligation on Fujitsu for what happened there.

**Paul Patterson:** As I have already said, to the Chair's first question, we do see a moral obligation, but we also seek, with the entire end to end of all the components in this, to get to the truth. It is the truth that you were already discussing this morning about disclosure: how that information was given to the Post Office and whether that was disclosed. These are complicated matters and Sir Wyn is rightly examining those. To the Chair's question to me earlier, when that is done, we also expect to sit down with the Government to determine our contribution to that redress—or compensation, as you said.

Q156 **Sir Robert Neill:** You will make provision accordingly.

**Paul Patterson:** To the earlier question, we have not made provision for that yet. I cannot put a number on that yet, but when we have got to that position, we absolutely would need to make a provision for it—of course we would.

Q157 **Anthony Mangnall:** Mr Read, when you came into post in 2019, were you presented with the board minutes that go all the way back to when this issue first started—let's say 1999? Were you presented with a timeline—

**Nick Read:** No, I wasn't.

Q158 **Anthony Mangnall:** So, since your appointment, you have not gone through the board minutes of the last 25 years at any point.

**Nick Read:** Many of them I have, but not all of them. The way you are characterising it is whether a pack was delivered to me, and the answer is no. Clearly, we spent a lot of time in 2020 as a board working through the issues associated with some of the human impact and some of the individuals that were involved.

Q159 **Anthony Mangnall:** We have had this question already and I do not want to repeat what colleagues have asked, but could you provide a date on when this was first raised? Your board minutes would presumably reflect that. If you cannot do it now, will you come back and report that



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to this Committee?

**Nick Read:** Of course.

Q160 **Anthony Mangnall:** You also said that senior executives go out to meet with postmasters and mistresses. I am not entirely sure why any of them would want to see you at this point, but we have heard from the opening remarks of the Chair about the moral obligation. As far as I can understand it, you are sitting in front of us saying that you want to help. You led the prosecutions against people who were wrongly accused of doing things, and yet the Horizon Compensation Advisory Board is saying that you are responsible for the delay because much of the evidence has been lost or destroyed by the Post Office. So you led the prosecutions, and trying to overturn these convictions is being hampered by the fact that your organisation has lost the information that could give people the justice that they seek. Could you comment on that?

**Nick Read:** I think it has been well documented in the inquiry that the challenge within our organisation of data and the protection of data over the last 20 years has been pretty poor. We have wrestled—I think that is probably the best way to describe it—over the last two or three years to make sure that we provide as much data as possible. We have 60 million different documents that we provided to the inquiry. We have been through 500,000 individual documents that we have had to go through. We have supplied over 120,000 specific documents. It is an extremely complex beast. I don't think anybody would be surprised, having listened to the evidence just from today that, over the last 25 years, it is going to be extremely complicated to get hold of all of this data and all of this documentation. But be assured, we fully recognise that we need to do that. It is extremely important.

If I may comment on your question about whether postmasters would want to see senior executives, this is an offer. We do not go and present ourselves.

Q161 **Anthony Mangnall:** How many have taken it up?

**Nick Read:** Forty-five have so far. What I have said to victims—and I have been very explicit about this over the last couple of years—is that if there is an opportunity for any form of redress, some form of justice, some form of apology that I can do on a personal level, I am very, very willing to do it. We have heard from Alan and from Jo today that the trauma—I use the word advisedly—that individuals have experienced can in certain instances be at least reduced or slightly reduced when they have an opportunity to speak to the head of the organisation that ultimately may well have been responsible for what they have been through.

Q162 **Anthony Mangnall:** That trauma can be alleviated by you streamlining the system and making it less bureaucratic. What we have heard from Jo and from Alan is that you feed into a system where—you even heard it from the first panel—the face-to-face engagement is very good, but the bureaucratic system behind it is an absolute disaster. Are you committing here and now to saying that you will go away, both of you—in particular



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you, Mr Read—and make the changes necessary to make sure that the bureaucratic process is sped up and made more efficient to make sure that these issues are resolved?

**Nick Read:** Yes. We will work with the Government on whether it is the evidential level that needs to be dropped, the interim payments that need to be made permanent, or whatever it takes. We will work with officials to make sure we get the right guidance.

Q163 **Anthony Mangnall:** The proof will be in the action rather than the words.

**Nick Read:** Of course it will.

Q164 **Anthony Mangnall:** But I take that point. Lastly, why are you still using the Horizon system? I understand that in 2015 IBM was looked at.

**Nick Read:** Correct.

Q165 **Anthony Mangnall:** I understand that recently Amazon was looked at. Are you simply using them because no one else can do it? Or are you just failing to actually innovate and look at new suppliers?

**Nick Read:** Not at all, no. I am committed to getting off Horizon and I have had that conversation regularly with Mr Patterson. We are both committed to making sure that there is a new and upgraded system. We have talked about it before. It is outdated, it is clunky and it is old. It is 25 years old, but it does what it is meant to do in terms of the job that it does today. However, we are very clear that we need a modern system for a modern Post Office and we will be getting off Horizon. That is our intent.

Q166 **Anthony Mangnall:** Mr Patterson, is there any Horizon programming code in any of your other systems?

**Paul Patterson:** No.

Q167 **Anthony Mangnall:** Do you feel that you should be paying back the money for the Horizon system given the damage that it has caused? That is, from that Government contract: do you think you should be reimbursing it—even to direct it towards a compensation scheme?

**Paul Patterson:** On the complicated topics, the inquiry is looking into those topics. I have already committed to this Select Committee that we will take the advice from Sir Wyn and look to compensate. You used the word “morally”. I also think it is a moral point, and we will look to contribute to the redress or compensation scheme.

**Anthony Mangnall:** I will leave it at that.

Q168 **Jonathan Gullis:** With that last point, Mr Mangnall was asking again about this whole idea of contributing. How much of a contribution have you, as an organisation, estimated today that you think you need to pay?

**Paul Patterson:** I do not have any estimate at all. I do not presume to calculate that. I think it is right and proper that we allow the inquiry to

discover where the responsibility lies. Responsibility lies in many places and also inside Fujitsu.

**Q169 Jonathan Gullis:** Will Fujitsu be bidding for other Government contracts while the inquiry is going on? Or does Fujitsu think it should withdraw itself from bidding for Government contracts until the inquiry has been heard and Fujitsu's culpability is decided?

**Paul Patterson:** We provide many services to Government today across a range of services. We have regular conversations with the Department and the Cabinet Office about our performance. Going forward, to your specific question, we will look at every opportunity and determine whether we bid for it in the open market or not. It is very clear that our brand and our value in the UK and to Government are under question, and we will look at all those opportunities and decide yes or no.

**Q170 Jonathan Gullis:** Because Fujitsu has benefited from £95 million in contract extensions to continue operating the flawed Horizon IT system. Will it volunteer today to compensate the victims arising using that £95 million, related to what Mr Mangnall was asking earlier?

**Paul Patterson:** I have already answered that question: we will contribute to the compensation fund or the redress fund when it is very clear. I do not want to run this system.

**Q171 Jonathan Gullis:** Mr Read, to go back to Mr Lavery's earlier point, you appeared before the Committee in January 2022 and told us that victims' payments to make up the shortfalls, much of which came from life savings and people re-mortgaging their properties, was put into general suspense accounts on which the Post Office did not hold records beyond 2005. Why would the Post Office not track money? I thought that was quite an important thing for the Post Office to do.

**Nick Read:** I agree with you and it is something that we need to get to the bottom of. As I said, there were, to my understanding, two reviews that happened between 2015 and 2019 trying to understand exactly what the outcomes of the suspense accounts were. I think it is inconclusive and I think it is frustrating.

**Q172 Jonathan Gullis:** How regularly is it that the Post Office does not track money within its company?

**Nick Read:** Well, clearly that is something that we do regularly now. I mean, we are running a business today and clearly—

**Q173 Jonathan Gullis:** Was it not a business before? Was it not a business back then?

**Nick Read:** I cannot comment on the specifics of what was happening over 10 years ago, but certainly from my perspective, you can be assured that the protocols and controls have now been put in place. We have addressed all the issues that were part of the 2019 common issues judgment and the Horizon issues judgment. The recommendations that were made by Fraser say that, actually, the system, as Mr Patterson has



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remarked, is stable. It is clunky, sure, but it is stable and it does the job that it does. We have been involving our postmasters in those solutions to make sure that it is doing the job that postmasters need it to do today. But we are very clear that we can upgrade that system, which is why we are intending to get off Horizon and move to a new system.

Q174 **Jonathan Gullis:** Are any executives or directors on the board who were present at the time and were informed about this system—as we will hopefully hear from you, Mr Read, regarding the board minutes—yet continued the façade that everything was fine unfit to hold directorships in any company, public or private? Should any individuals in the Post Office—senior executives on the board—ever be allowed to sit on any board of any company if they were aware of this issue but did not come forward or seek to address it at the time? Are they fit for directorships, which will come with whopping salaries and bonuses, in any company?

**Nick Read:** If evidence is produced that there was some form of cover-up, action clearly needs to be taken.

Q175 **Jonathan Gullis:** Even those who sat there and were told that things were going wrong, and yet private prosecutions were still allowed to go ahead?

**Nick Read:** That is exactly what I just said. If there is culpability, people will need to be held to account.

Q176 **Jonathan Gullis:** Will you be allowed to let the Committee know when Fujitsu first raised concerns about the system with the Post Office? Again, I am assuming that that would have been brought to the board's attention at a board meeting.

**Nick Read:** As I said, we will look into that and come back to you, Mr Gullis.

Q177 **Ian Lavery:** Mr Read, what has the Post Office done to reach out to those sub-postmasters who have not yet come forward? From what has been said this morning, a lot of people are extremely concerned and frightened to do so. I presume that you have the information and you have their details, because you have recovered moneys from most of them and others have been prosecuted by the Post Office. What have you done to reach out? Can you give a commitment that you are going to reach out to those people?

**Nick Read:** Absolutely. One of the challenges that we have, as you will recall from the last time that I appeared here, is that there was a real reluctance for postmasters to come forward to the Post Office. The notion that the Post Office were the individuals that postmasters would have to come and appeal to for any losses was a problem.

We sat here, in this Committee room, and described how we were going to set up a scheme in which the CCRC would contact postmasters directly, and we provided them with that detail. We gave a package to Citizens Advice so that they could do the same, and also to MPs so that they could contact postmasters specifically.



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What has happened as a consequence of the drama—I think Dr Hudgell made this observation—is that some 200 postmasters have come forward. Thirty-one of them have come directly to us as a consequence of the drama. That is good. Raising awareness is a good thing in the sense that it is bringing people forward. However, as we have said before, one should not just assume that the drama in itself will bring people forward. We want to continue to do so, but you will not be surprised that many postmasters tell us not to contact them and continually say, “You are trying to get us to come forward or present situations where we may have had losses or shortfalls, but a lot of postmasters—the victims—simply want to move on”.

That is a desperately concerning situation for us. People need redress. They are having trauma, which I have had first-hand experience of observing. Indeed, I was in this building yesterday with an MP and with a victim of the scandal who said that the reliving of the last 10 days, because of the enormous amount of publicity that there has been, has been extremely stressful and traumatising for many of the victims. We need to recognise that that is going on at the moment, and they clearly want us to move through and accelerate redress. That is the most important thing we can do.

**Q178 Ian Lavery:** The excuse of not getting in touch with sub-postmasters because they want to move on is extremely shallow.

**Nick Read:** It is not—

**Ian Lavery:** It is extremely important that you reach out to every single person you have on record as ever having had moneys recovered or having been prosecuted, regardless. It is a duty that the Post Office should carry out.

**Nick Read:** I absolutely agree. We have definitely done that.

**Q179 Antony Higginbotham:** Mr Read, you joined the Post Office in 2015.

**Nick Read:** 2019.

**Q180 Antony Higginbotham:** But you have reviewed board minutes going back beyond that point.

**Nick Read:** Specific ones, certainly.

**Q181 Antony Higginbotham:** I know you cannot give us an exact date—a month or year—when you first saw Horizon referenced in any kind of board paper, but do you have a recollection that at some point before 2015 there was a reference to Horizon and some possible issues? Having reviewed all those documents, you must have a vague recollection of whether Horizon was even mentioned. I am not asking for a date, but pre-2015 was there any mention of possible issues with Horizon?

**Nick Read:** In the board minutes?

**Antony Higginbotham:** In any documents that you have seen.



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**Nick Read:** In documents that I have seen, that we have submitted to Sir Wyn—yes.

Q182 **Antony Higginbotham:** So in 2015, when one of your predecessors, Paula Vennells, told this Committee that prosecutions were sound, was Parliament misled?

**Nick Read:** I don't know if I can specifically comment on that. I think what has clearly occurred in the—

**Chair:** You are under parliamentary privilege.

**Nick Read:** What has clearly occurred in the evidence that has been provided to the inquiry—and from what we have seen and heard—is that individuals who have been prosecuted, and those individuals that go all the way back, have been prosecuted on the basis of information that may be erroneous; yes, I think that is something that we have heard in the inquiry.

Q183 **Antony Higginbotham:** But from the information you have seen, would you have said to this Committee that all prosecutions were sound—in 2015, having seen what you have now seen?

**Nick Read:** I don't think I can give you a straight answer on that, because so much more context is required. As I say, we have been very clear that Sir Wyn is going to get to the bottom of these details, and that is what we think is the right thing to do. I do not think it is my place to prejudge that. He spent two and a half years—

Q184 **Antony Higginbotham:** Do you think the culture in the Post Office at the time—back in 2015 when your predecessor, Paula Vennells, came to Parliament—was to cover up failings to protect the brand?

**Nick Read:** I can't comment on what—

**Antony Higginbotham:** I am asking for your opinion.

**Nick Read:** As I say, I think it is unreasonable for me to do that, given that clearly—

Q185 **Antony Higginbotham:** So having read through board minutes and documents that would indicate to you that there was knowledge that the system was unsound, you cannot say that it was wrong to say in 2015 that all prosecutions were sound.

**Nick Read:** Well, I think what has become apparent is that all prosecutions were not sound, and that is clearly what has happened—

**Antony Higginbotham:** So for someone to say that in 2015—

**Nick Read:** Whether or not that was pure knowledge, I cannot comment. I think we will have to wait and see when those executives come before the inquiry. As I mentioned before, they will be coming before the inquiry in the next three months or so, so people will be able to see them at first hand and speak to them. They will be writing witness statements, and



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commenting on what they knew and what they didn't know, and Sir Wyn will be able to build his picture.

- Q186 **Antony Higginbotham:** Are you using the inquiry as a way to not be curious—to try to avoid answering questions or to avoid getting under the bonnet of the issues at the time yourself?

**Nick Read:** No, I'm not. My job is to make sure that, as I said, that redress is speedily delivered to our victims and, most importantly, that I run the Post Office of today. That is my job. My job is not the investigative role that is being played by Sir Wyn. That is clearly his job. He initiated an independent inquiry. It is now a statutory inquiry. I think it is appropriate that that is the forum in which he addresses things.

**Anthony Mangnall:** Twenty-five years—and you're running the business.

- Q187 **Antony Higginbotham:** Do you think the Post Office abused its position to prosecute in order to cover up its own failings?

**Nick Read:** I think it is unreasonable to ask these questions when the knowledge is going to be addressed in the inquiry specifically—that is, the individuals will be asked those questions.

- Q188 **Antony Higginbotham:** But I am asking you, as the current chief executive, who has said that you are not going to pursue private prosecutions. Do you think you abused your position as an organisation in running prosecutions to cover up—

**Nick Read:** There was nothing unique about private prosecutions. Individuals and companies can bring private prosecutions. That can occur. Do I think it was done egregiously? I have listened, obviously, to the inquiry and to the details of many victims, and clearly there is an issue that needs to be addressed, and that is what is going to happen as we go through this process.

- Q189 **Antony Higginbotham:** But I am asking you, as the person who leads the organisation today. You must have a view on why the prosecutions were being pursued? Was it a culture of trying to cover up the organisation's own failings, because it had a lack of technical knowledge? Was it people so scared of their own lack of knowledge that they thought the easy option, rather than flag concerns up, was just to prosecute?

**Nick Read:** I think there are many numbers of issues that we can address. Is it the competency of the investigators? Is it the information that was being supplied? Is it the guidance that they were getting and the oversight that they were receiving? Is it the asset collection? We've talked about all of these things. There are multiple reasons why, and I think it's really important that we allow Sir Wyn to ask the individuals those questions so that he builds that picture.

I am being very clear: we're not prosecuting people within the Post Office. We have not brought private prosecutions within the Post Office. On my watch, that has not occurred and it will not occur. We are very, very clear about that. My job is not to go back and investigate what happened in the



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organisation pre 2015 or pre 2010. I can see that that is immensely frustrating for you, but my job today is to run the Post Office today to make sure that we have a Post Office that is fit for purpose and, more importantly, that we have postmasters who can go about doing the job they want to do, free of fear of any kind of relationship that they may have had in 2015 and before.

**Q190 Antony Higginbotham:** It is disappointing, Mr Read. It sounds like you are trying to suggest, because there is an inquiry ongoing, that you don't need to look back over the history—the inquiry will deal with all of that. But you're running the organisation today that has a culture and a history. Yes, the Post Office may have changed, but it is the same organisation, with thousands of people working for it who were there at the time all of this happened. The fact that you're not willing to look under the bonnet and answer questions because, "The inquiry should look at it," indicates a worrying lack of corporate curiosity.

**Nick Read:** I would disagree with that characterisation. I have some 1,700 colleagues who have been in the organisation for more than 10 years, and I am acutely conscious that my job is to make sure that the culture that we have today is to put our postmasters first. A series of recommendations came out of the 2019 findings by Judge Fraser, which we are absolutely implementing. More importantly, my job is to create a culture where people are supporting and serving postmasters, and that is my role. My job is not to investigate going backwards. I don't think it's about addressing those issues; it's about making sure we have an organisation today that is fit for purpose. That is the most important thing.  
**Antony Higginbotham:** Okay, so let me ask you a question on today: does the Post Office still use non-disclosure agreements in reaching settlements with sub-postmasters?

**Nick Read:** Not to my knowledge.

**Antony Higginbotham:** So no non-disclosures have been requested or signed since you took over as chief executive.

**Nick Read:** Not to my knowledge.

**Q192 Antony Higginbotham:** Would you check that and come back?

**Nick Read:** I will do.

**Q193 Antony Higginbotham:** Mr Patterson, you said earlier that it was clear that there were bugs in the Horizon system. Were you aware, or was the organisation aware, that those bugs could generate major discrepancies in accounting? We are not talking about a system flickering or minor bug. Was the organisation aware that the bugs were so material that they could change the numbers?

**Paul Patterson:** I don't have evidence in front of me that connects a bug, which was present, to a shortfall. Could it cause shortfalls? Yes, it could, and I said that in my opening statement. Again, that is a subject for the inquiry to look at the detail. To your point about scale, I don't know whether it was big or small, but I do know that it could make an impact.



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Q194 **Antony Higginbotham:** And your view, having looked at the history, is that that was reported to the Post Office.

**Paul Patterson:** Yes.

Q195 **Antony Higginbotham:** You have also said that you have not made a provision yet. Have you had conversations with your head office in Japan about Horizon since you took over the role?

**Paul Patterson:** Yes.

Q196 **Antony Higginbotham:** And their view is the same: they are willing to allow provision to be made once the number is arrived at.

**Paul Patterson:** Yes, and the reason why I can say what I said earlier is because that we expect, on the conclusion, to absolutely have that conversation about our contribution to the fund or redress or compensation. We expect to have that conversation with the relevant Government.

Q197 **Antony Higginbotham:** And that is the view across all of Fujitsu.

**Paul Patterson:** Yes it is.

**Antony Higginbotham:** Okay, thank you.

Q198 **Jonathan Gullis:** Mr Read, you talked about no longer using non-disclosure agreements. If any non-disclosure agreements were made in the past with former sub-postmasters and sub-postmistresses who have since been convicted or came to agreements, would the Post Office not block those NDAs being broken, so that evidence could be broken?

**Nick Read:** We wouldn't block those. People should bring forward and say exactly what they need to say.

Q199 **Chair:** I just need to rattle through a few questions that we need on the record. Mr Read, have you seen any evidence that Post Office executives misled Ministers at any stage?

**Nick Read:** I have not seen any evidence.

Q200 **Chair:** Have you seen any evidence that Post Office executives misled the courts at any stage?

**Nick Read:** I've not seen any evidence of that.

Q201 **Chair:** Have you seen any evidence that Post Office Ministers misled Parliament at any stage?

**Nick Read:** No, I haven't.

Q202 **Chair:** Do you believe that the Post Office prosecuted the innocent, knowing the case to be flawed?

**Nick Read:** I sincerely hope not, but I have not had evidence to that effect.

Q203 **Chair:** Why do you think the Post Office fought the provision of



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compensation to those who were unfairly punished for so long?

**Nick Read:** Why did they fight the provision of compensation for so long?

**Chair:** Exactly. Why has the Post Office dragged its feet for so long in providing compensation to those who were due redress?

**Nick Read:** A culture of denial? I can only assume that that is the case. It is a lack of understanding, and perhaps a lack of curiosity, of, really, what is going on. I think that the most important cultural challenge that I have in my organisation is to ensure that everybody in the organisation sees and understands absolutely what has been going on, and I don't think that was the case, certainly when I joined in 2019.

Q204 **Chair:** Are you co-operating in full with the inquiry?

**Nick Read:** Absolutely.

Q205 **Chair:** Because there have been some press reports—

**Nick Read:** There have.

**Chair:** —that people have not been working overtime or at the weekends in order to provide the evidence the inquiry requires.

**Nick Read:** I can assure you we are working extremely hard to make sure that the inquiry has everything it needs to come to the conclusions it needs to come to about what went wrong, why it went wrong and, more importantly, who was responsible. There is nothing to be gained, reputationally, for the Post Office, or indeed anybody in my organisation, to drag their feet at all. The only way that the Post Office can move forward is by ensuring that the inquiry has what it needs to draw its conclusions and, more importantly, that redress is given to—

Q206 **Chair:** In your last accounts, did you offset a provision for compensation against the tax that you paid to the Exchequer?

**Nick Read:** So—and it is important that we do make this observation—there was a characterisation, I think, that bonuses had been somehow inflated as a consequence of the treatment of tax and the treatment of compensation. Let me assure you right now that that is absolutely not the case. We have not done that at all.

On the tax treatment that we have for compensation, as it states very clearly in the report and accounts, we are having those conversations with HMRC. Indeed, I wrote to the Chief Secretary to the Treasury about 18 months ago to discuss this exact topic—about how we treat the compensation payments and indeed how we treat the payments of those. So that is—

Q207 **Chair:** So the bonuses and the tax were calculated off the same profit line?

**Nick Read:** Bonuses have nothing to do at all with tax treatment. The only financial—



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**Chair:** No, no. The question is whether bonuses and tax were calculated off the same profit line.

**Nick Read:** No, they weren't.

Q208 **Chair:** They were calculated on two different profit lines?

**Nick Read:** The financial metric associated with the bonus was on a trading profit, as opposed to on a compensation line, or indeed—it was a pre-tax, not a post-tax line.

Q209 **Chair:** You see the concern—that you have basically been underpaying your taxes and overpaying bosses?

**Nick Read:** I can see where the concern is, but I can assure you that is not the case.

**Chair:** But you have just said it is the case—

**Nick Read:** No, I said—

**Chair:** You said that the bonuses were calculated on trading profit, but the tax was calculated on a profit line that was net of compensation provisions.

**Nick Read:** What I will do is write to you to explain the situation, but I can assure you there is nothing unusual or peculiar about it.

Q210 **Chair:** Well, I am not sure we care whether it was unusual or not. What we care about is whether you are underpaying taxes and overpaying bosses by using two different lines of profit.

**Nick Read:** I can understand that concern too.

Q211 **Chair:** Okay. Well, we look forward to that correspondence. Do you believe that Fujitsu should help pay the compensation bill?

**Nick Read:** I think you have heard Mr Patterson say it, and I agree with what he has said, that—

**Chair:** Is that a yes?

**Nick Read:** Yes.

Q212 **Chair:** Did the Horizon contract require Fujitsu to pass over to you information that was used in prosecutions?

**Nick Read:** When?

**Chair:** When the prosecutions were under way, before 2015.

**Nick Read:** I think it did. Yes, it did.

Q213 **Chair:** Okay. Paula Vennells said that there was a Fujitsu boss who told her that Horizon was "like Fort Knox". Do you know who in Fujitsu made that comment?

**Nick Read:** I don't know who that was, no. I merely saw the quote in the newspapers.

Q214 **Chair:** Okay. You have provided no legal assistance to postmasters completing the Horizon shortfall scheme application form. Do you think that that lack of legal provision is ever going to produce a fair claim?

**Nick Read:** In the GLO settlement, we specifically identified that we wanted a scheme that didn't require legal support. That was part of the settlement that we had.

Q215 **Chair:** The HSS?

**Nick Read:** The HSS. We wanted it to be as quick and as simple as possible, and that was very much part of the settlement. Clearly, if that needs to be reviewed, then we will review it. I think less than 10% of people who went through the HSS had legal representation. We have an appeals process, and it may well be that it was overly bureaucratic.

Q216 **Chair:** Well, I think that may be true. You would accept the risk, therefore—

**Nick Read:** Yes, of course. I do.

**Chair:** —that sub-postmasters will be short-changed if they didn't have legal advice?

**Nick Read:** I am concerned. As I say, we specifically set up a scheme that we thought was simple. The idea was that people would not need legal representation. Clearly, if that is going to be problematic, or if we believe that there is consequential loss or other issues associated with it, we have an independent appeals process, and we would be happy for people to—

Q217 **Chair:** I am not sure that people will want to go through an independent appeals process after all they have been through—

**Nick Read:** No, I can understand that too, but by the same token, 2,400 people have been through the HSS, and 82% of them have accepted offers—

Q218 **Chair:** We have heard there may be hundreds more out there with legitimate claims.

**Nick Read:** There may well be hundreds more out there, and they should come forward if they are.

Q219 **Chair:** Okay. Will you undertake to look again at the process and whether legal advice should be provided?

**Nick Read:** Of course we will.

Q220 **Chair:** Thank you. When you have made a settlement with sub-postmasters, you have said that they are confidential and they cannot be shown to anybody except a lawyer. The impact of that is that sub-postmasters cannot compare and contrast and talk to each other to see whether there is something funny going on. So will you look again at



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those confidentiality clauses?

**Nick Read:** Yes, we will. I understand the question you are asking.

**Chair:** And the answer is?

**Nick Read:** We will look again.

Q221 **Chair:** Okay. The HSS guidance says that sub-postmasters can only recover damages for injury to reputation if they can show financial loss. You must know that that is impossible. How could they demonstrate that?

**Nick Read:** It is very difficult for them to demonstrate that—I can see that.

Q222 **Chair:** That is guidance that should be looked at again?

**Nick Read:** We should look at that.

**Chair:** Okay. Thank you.

Q223 **Anthony Mangnall:** We heard earlier from Jo and Alan about whether there might still be some faults in your system with Horizon and the current system that is being used. Can you reassure us that these systems are working to their full extent?

**Nick Read:** I can.

Q224 **Anthony Mangnall:** What safety net is there that actually reassures people? As we have heard, there may be instances—Alan and Jo have heard accounts from people coming to talk to them, rather than to you, about some of the faults with the system.

**Nick Read:** We have postmaster user forums, we have better communication, we have overhauled the system. There is no system failure that we are aware of, and when a bug does occur, we publish it to all postmasters, we explain why it has occurred, we explain what the potential impact of that bug might be. So the system is completely overhauled; it bears no relation whatsoever to the old system.

Q225 **Anthony Mangnall:** Do you require shortfalls to be made up for by sub-postmasters and mistresses?

**Nick Read:** We ensure that when a shortfall occurs, we have a full investigative process. There will be no paying up unless there is an agreement with the postmaster and with the organisation, as opposed to the presumption of guilt, which was the previous methodology.

**Chair:** Thank you very much indeed. You have left us, I think, fairly shocked, actually. You have not been able to supply the Committee with key events in the timeline, such as when the Post Office first knew that remote access was possible. You have told us that you have not kept evidence safe about what money was paid to you inappropriately and therefore is owed back, and you cannot estimate the scale of compensation. We are grateful for the moral commitment from Fujitsu that they will share in the compensation payment, but that leaves us with



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many questions that we need to put to the Minister. That will be the subject of our next session.