

# Business, Energy and Industrial Strategy Committee

## Oral evidence: Post Office and Horizon, HC 106

Tuesday 11 January 2022

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Members present: Darren Jones (Chair); Tonia Antoniazzi; Alan Brown; Richard Fuller; Paul Howell; Mark Jenkinson; Andy McDonald; Charlotte Nichols; Mark Pawsey.

Questions 46 - 139

### Witnesses

**I:** Nick Read, Chief Executive Officer, Post Office.

**II:** Paul Scully MP, Minister for Small Business, Consumers and Labour Markets, Department for Business, Energy and Industrial Strategy; Carl Creswell, Director, Services Directorate, Department for Business, Energy and Industrial Strategy; Tom Cooper, Director, UK Government Investments.

Written evidence from witnesses:

- Department for Business, Energy and Industrial Strategy [\[POH0006\]](#)



## Examination of witness

Witness: Nick Read.

Q46 **Chair:** Welcome to this morning's session of the Business, Energy and Industrial Strategy Select Committee for our second interim hearing on compensation in the Horizon Post Office scandal. I know that for many people watching the session today there are very many questions that still need to be answered.

As I said in our last interim hearing, our focus for these hearings today is strictly on compensation, as that is excluded from the statutory terms of reference for the inquiry that Sir Wyn Williams is undertaking. Any additional questions beyond compensation we will come to once that inquiry has concluded, including probably with our witnesses today as well as many others.

We have two panels this morning. For the first, I am delighted to welcome Nick Read, who is the CEO of the Post Office. Good morning. Thank you for being with us.

**Nick Read:** Good morning, Chair.

**Chair:** Following Nick, we will have the Minister and officials from the Department. Nick, you have been quite clear in public since you became CEO of the Post Office; you have apologised for the previous actions of the Post Office and said that you want to ensure that justice is done here. There are still a number of outstanding issues, including for the 555 who are excluded from the new compensation scheme, and delays that have been happening with some payments. What is stopping you from putting all of this right?

**Nick Read:** Good morning. I would like to start by saying, on behalf of the Post Office, that we are extremely sorry for the failings of the past. It is my job and my intention to make sure that we give full and final compensation to all the victims of the past and to their families.

It might be worth just describing the different schemes and the different ways that we are compensating postmasters. First and foremost, there is the overturned criminal convictions scheme. As you will be aware, we have started this process. We have 72 former postmasters who have had their convictions overturned. Some 66 of those have applied to us for interim payments of £100,000, and we have paid out to 57 of those postmasters an interim payment to bridge the gap to a full and final settlement and allow them to engage with us on that full and final settlement.

In addition, we have the historical shortfall scheme, which some 2,500 postmasters applied to. As you can probably appreciate, over the 20-year period this applies to, from 1999 right the way through to today, there is an enormous amount of complexity associated with making sure that we get absolutely right how we compensate those postmasters and, most



importantly, that it is full, fair and final. One thing that I have observed on coming into the Post Office is the need and necessity to bring closure to many of these postmasters and many of their families as well. Being thorough and making sure we get it right is the primary driver for me.

The third element, as you quite rightly pointed out, is the GLO—the group litigation order—and the settlement we made with the 555 back in December 2019. You are right: I have been very clear that I can certainly empathise with the sense of injustice that some of the 555 have shown and demonstrated over the settlement. I have been working with Government and encouraging Government to make sure that we can bring full and final closure to those individuals as well.

**Q47 Chair:** Importantly, there is not full and final compensation for everybody involved in the current schemes. It is factually not correct to say that. What is stopping you from ensuring full and final compensation for everybody involved? Is it a Post Office decision, is it how much money you have to pay them, or is it Ministers?

**Nick Read:** As you will appreciate, the Post Office itself does not have the financial resources to compensate a miscarriage of justice of this scale. Nine hundred and fifty postmasters were prosecuted; 736 of those postmasters specifically had Horizon convictions, which were therefore unsafe. The scale and size of the compensation we are talking about goes back over 20 years.

From a complexity point of view, and from a uniqueness point of view almost more than anything else, we recognise that those 736 postmasters must be dealt with individually. Clearly, we will need information from HMRC, the DWP, Post Office and Royal Mail. We will need information from many different sources to be genuinely clear that we are getting it right first time and making sure we pay them.

From my perspective, of course we are all frustrated. We would like to do this much more quickly, but the scale and complexity of the litigation, because it goes over 20 years, is part of the problem. As an example, the disclosure exercise that we did for the CCRC contained some 5 million documents to help them even start to address the overturned convictions process. If you magnify that by 736, you get some sense of the scale of this challenge.

Yes, of course, we are all frustrated. We want to make sure that we address these issues. We are starting to do that. We have got the interim payments process working. We have made offers to 777 of the 2,500 postmasters in the historical shortfall scheme already, and only 22 of those individuals have turned around and said that they are not accepting the offers. We feel we are making progress. From my perspective, getting to a point where we can conclude the historical shortfall scheme by the end of this calendar year will be important.

**Q48 Chair:** We will come on to some of this in more detail, but in summary,



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you need money from the Treasury in order to ensure full and final compensation.

**Nick Read:** That is true. The Government—

Q49 **Chair:** That was my only question, thank you. As a follow-up, it has been suggested in evidence to this Committee that many of the victims do not trust the Post Office. When they receive letters from you in the post offering them compensation, many of them cannot even bear to open the envelope, let alone to reply to you. Should this be run by an arm's length body that is independent from both the Post Office and the Government?

**Nick Read:** At this stage, we have written some 27,000 letters to postmasters, both current and former, as part of this process. There has been tremendous publicity as a consequence of this Committee and the media. We feel that we have been reasonably successful in engaging with postmasters. I would argue that the level of independence is very important. We have an independent panel that adjudicates the historical shortfall scheme. We also have an independent panel that will adjudicate any of the mediation that we are doing in terms of the overturned convictions.

I am confident that we have the processes in place. Clearly, we can do more to engage with the postmasters and make sure we get all of them to respond. We hope they will. We are using Peters & Peters, our criminal lawyers, who have a tracing system, to track in the UK and overseas. You are right that we have not contacted everybody; we still have not contacted some 127 of the 736 postmasters with overturned criminal convictions, and we are continuing to push to make sure we can touch base with them all.

Q50 **Mark Pawsey:** Mr Read, I want to ask you about the age and the profile of the people who have been affected by this scandal. You said yourself that this matter goes back 20 years. Many of them will have been coming towards the end of their careers at that time. What is your assessment of the ages and the demographics of the people who are involved?

**Nick Read:** You are quite right. By definition, given that prosecutions took place between 1999 and 2013 and that the age profile of our postmaster population is relatively skewed, compared with the rest of the workforce, to the ageing population, that is a fair assessment. Many of the individuals will be coming to the end of their working careers. As part of this compensation process, we need to make sure that those facts are taken into consideration.

Q51 **Mark Pawsey:** You told us that it is a long-winded process, and that you want to get it accurate and get it right first time. That is adding to the amount of time that it is going to take for these people to receive their compensation. What I am asking, brutally, is how many of those affected are likely to have died by the time the compensation might be available to them.



**Nick Read:** I cannot answer that question specifically, but what I can say is that the interim payment process we have established, which gives £100,000 to any of the postmasters with an overturned conviction who have come forward—

Q52 **Mark Pawsey:** You said you had only made 57 of those, yet there were 736 people affected. Why is it such a small proportion?

**Nick Read:** Correct, because the postmasters themselves who have been convicted need to come back to the Court of Appeal to get their convictions overturned. Currently, 72 of those 736 have had their convictions overturned; they have applied to the Court of Appeal to have their convictions overturned. When that process had concluded—there were 39 that started in April—we made awards of £100,000 within 28 days as part of the interim process to those individuals.

Q53 **Mark Pawsey:** Are you not concerned that the longer this process goes on, frankly, some people will have died by the time their relatives are able to receive their compensation?

**Nick Read:** That is a genuine concern and I completely understand it. Of those 736, 160 have applied for information from the Post Office so they can start to go through the process with the CCRC and the Court of Appeal. Not all 736 have come forward and said, "In light of the judgment, we want to have our cases reviewed." That is a challenge. I want to encourage—

Q54 **Mark Pawsey:** Are you contacting those people to encourage them to do so?

**Nick Read:** Yes, absolutely.

Q55 **Mark Pawsey:** You are making every effort. Are there any challenges in tracing some of these people?

**Nick Read:** Yes, there are—absolutely. We have contacted—we believe we have attempted to contact all 736 to make them aware that we at Post Office—

Q56 **Mark Pawsey:** How many have you successfully contacted?

**Nick Read:** There are some 343 whom we have not managed to get a response from; 126 of those postmasters we are struggling to even contact. We know that the remainder—the 216—have received letters from us, but we have not had any response back saying, "Yes, we would like disclosure; yes, we would like some information; yes, we would like to take this process forward."

Q57 **Mark Pawsey:** Why might they not have responded?

**Nick Read:** There are a number of reasons. To your earlier point, this process has gone on for a long time. Many individuals will want to put it behind them and not revisit it. We need to be sensitive to that. With the criminal lawyers we are using, Peters & Peters, and the tracing process



we are using, we are making sure that the way we interact with postmasters is sensitive. We need to recognise that not everybody will want to open up this channel again, even though there will be compensation.

**Q58 Alan Brown:** Let me return to the 555 group litigants—the ones who, on top of the injustice, had to go to court to fight the Post Office to prove the injustice. Out of the £57 million compensation agreed by the Post Office, the 555 will receive only £10 million between them, which is effectively £20,000 each, whereas they have faced shortfalls and consequential losses in excess of £100,000. Is that £20,000 settlement fair? If it is not fair, why are the 555 excluded from the historical shortfall scheme?

**Nick Read:** That is a very reasonable question. As I said at the start, I have been quite consistent that when we became aware through the media of the scale of the funders' requirements in terms of their costs, clearly, that was something we wanted to address. I am very clear—I have spoken to the Government and spoken publicly—that we want to address this.

If we take a step backwards, we engaged with the 555. In fact, two months after I joined the business I recognised that the first thing we needed to do was to try to bring closure for the 555 and to make sure we had an agreed settlement. We entered into the talks in good faith in December 2019. We spent five days in mediation, and we had two very eminent QCs who ran that mediation process. We did believe that, in good faith, we were addressing the issues of the 555.

Subsequently, to your point, it has become apparent in the media that the size and the scale of the legal costs and the funders' requirement is significant. I noted that Sir Wyn Williams identified yesterday that he will be looking at compensation for the 555 as part of his inquiry. We will of course work extensively with Sir Wyn to make sure we can find a route through. Minister Scully, who is speaking after me, has made it very clear that he too is proposing to speak with the 555 and their lawyers to see whether there is a route through to address this issue.

**Q59 Alan Brown:** It is not just about speaking to them. Should the 555 have parity with, say, those who have overturned convictions or those getting money through the historical shortfall scheme? Should they be able to access it? If so, have you asked the Government to provide that funding to get that equity for the 555?

**Nick Read:** You are quite right: "equity" is the right word. For me, this is about making sure it is inclusive, which means everybody who has been affected by the past failings of the Post Office has their issues addressed. It is about inclusivity; it is about equity and making sure it is fair. This is exactly what we have been talking about: making sure that the compensation is appropriate for the individuals. Of course, everybody is different. That goes back to my earlier observation that each individual



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has unique circumstances. We cannot do a very generic solution; they have to be specific.

Q60 **Alan Brown:** I have said that some of the 555 suffered a consequential loss of £100,000, and at the moment, as we know, they only get £20,000 per head. You are saying that in an individual circumstance like that, they should at least, as a minimum, get compensation that would offset the losses they have had previously.

**Nick Read:** They should get fair compensation. That is my approach and that has been my standpoint.

Q61 **Alan Brown:** How do we define “fair compensation”?

**Nick Read:** This is what we are discussing here in terms of how we, as an organisation, will go back to the 555, working with Government, to see whether there is a way that we can ensure that fair compensation is derived.

Q62 **Chair:** There is a way, Mr Read. It is to revoke the restrictions in the settlement agreement that they cannot bring further action, and for the Post Office and the Government to ensure that full and fair compensation is funded. I just do not understand. You are essentially telling the Committee today that you think that should happen. Why are you not doing it?

**Nick Read:** It is the mechanism. We need to work out what the mechanism is. That is what Minister Scully has said extensively over the last few weeks and, indeed, yesterday—that we will find a way to address the issues the 555 have now that we are aware of what is going on.

Q63 **Alan Brown:** Was the exclusion of the 555 from the historical shortfall scheme a decision of the Post Office or was that a decision that involved UKGI and BEIS?

**Nick Read:** It was part of the settlement. UKGI and BEIS were aware of what the settlement was in December 2019. Clearly, we felt that we were entering a good faith settlement, and both parties were very happy to say that in the media. We believed that was the case. As part of that settlement, we said we would establish the historical shortfall scheme for those who did not have overturned criminal convictions and for those who were not part of the 555. It was a separate scheme in order to avoid the civil litigation, so that those individuals would have a scheme mechanism for any kind of recompense for any losses they may have incurred as either current or, indeed, former postmasters.

Q64 **Chair:** Presumably, Mr Read, you acknowledge that one of the reasons the legal fees were so high in the settlement for the 555 is that the legal battle went on for so long. Does the Post Office not hold some responsibility for that?

**Nick Read:** Yes, the legal battle ostensibly went on from April 2016 right the way through to December 2019. From my perspective, as I stated at



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the very start, in September 2019, when I came in, one of the first things we wanted to do was to address this. Bringing some sense of closure and finality was the most important part for the 555, because this process had gone on for so long. I felt that entering into mediation was the right course of action. We did that in good faith. That was why we did that within the first two months of my joining the business.

**Q65 Charlotte Nichols:** Just to declare an interest, I am a member of the Communication Workers Union. Can you explain why the historical shortfall scheme ran for only a few months? Do you accept the criticism that you totally underestimated the number of applicants who would come forward?

**Nick Read:** That is a good question. We kept the scheme open for a three-month period. That was the timeframe in which we asked people to come forward, if they felt they had experienced losses. What did we have to go on? We had 736 postmasters who had been convicted. We had the 555. We were not entirely clear about how many people were going to come forward with losses. We thought it would be in the hundreds; it transpired that it was in the thousands and 2,500 people have to date come forward.

Did we underestimate? Yes, we can safely say that we did underestimate. What did we do as a consequence? We kept the scheme open for a further four months, a subsequent 15 weeks after the scheme closure date, so that others could come forward. We did two or three things. We wrote, as I say, to 7,000 current postmasters and 20,000 former postmasters. We ran campaigns in the national media; we ran campaigns in regional media as well. We made it very, very clear that the scheme was open. We left the scheme open for a further 15 weeks.

Since then, 122 subsequent postmasters have come forward to express that they have also had losses. We are looking at a mechanism to see whether they can be addressed as well.

**Q66 Charlotte Nichols:** You have said that there were 2,500 applicants to the scheme. The Minister told us previously that only around 30% have been processed. Why has progress been so slow? What are you doing to speed it up? To pick up on Mark Pawsey's point earlier, there will be applicants who have died because of the amount of time it has taken for this to be resolved. Will their families be eligible to apply to the scheme?

**Nick Read:** The Minister is right. Some 33% of offers have been made. Some 777 offers have gone out to the 2,500, as you rightly pointed out. Some 30% have been concluded now. My expectation is that we will get to 50% by the end of March and we will get somewhere close to 95% by the end of the calendar year.

Why has it taken the time it has taken? Why has it taken so long? Every single case is unique, as I mentioned at the start. We therefore do not want a sort of job solution. We want to make sure each individual case is



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taken on its merits. To the Chair's question around whether Post Office is fit to run this process, we have established an independent panel that is made up of forensic accountants, QCs and some retail specialists, which will process every single one of the individual claims so that there is genuine closure and thoroughness to it.

In order to try to accelerate the process, in October we doubled the size of the panel so we can start getting more cases coming through as quickly as possible. With the Government, BEIS and UKGI, we have an operations agreement that establishes the principles for the 2,500 applications to the HSS scheme. We therefore have the level of oversight from BEIS and UKGI to now start processing these even quicker. That is our objective.

From my perspective, we will get to 50% by the end of March and we will get to in excess of 95% by the end of the calendar year. To your point, I hope we will ensure that as many of those individuals—and/or their families, if not the individuals themselves—who have come forward will be compensated.

**Q67 Tonia Antoniazzi:** I have to make a declaration: I am on the all-party parliamentary group on fair business banking. They have raised key concerns with the Committee about the scheme. In their opinion, the scheme is "strikingly similar to the HBOS Reading Griggs Review, which has been discredited". How would you respond?

**Nick Read:** I am not familiar with the HBOS scheme. My personal view is that the level of independence and oversight we have on the historical shortfall scheme gives it that sense of integrity and clarity. I am confident that we have a scheme that will pay out and will make appropriate, fair and final payments to individual postmasters. We have scrutiny from BEIS and UKGI on the process, which we have agreed with them. We have the independent panel, which will ensure that the payments are fair and complete.

**Tonia Antoniazzi:** Is this something, Chair, that we can share with Mr Read?

**Q68 Chair:** We certainly can. I have to say that I am a bit surprised you are not familiar with it, given that it is a discredited scheme. Surely, when you were building the scheme, you wanted to look for schemes that had not worked and how to do it better.

**Nick Read:** We believe we have. We believe we have a scheme that works and is better.

**Q69 Tonia Antoniazzi:** You touched on this in your response to Charlotte just now, but can you outline who devised the scheme and the relevant roles of Post Office Ltd, BEIS and UKGI in developing it?

**Nick Read:** Yes, I can. We have a number of individual lawyers. Herbert Smith is the law firm supporting the Post Office. BEIS and UKGI have



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their own legal support as well. It is a process that has been through the BEIS and UKGI oversight process, in the sense that we have this formal operations agreement, which sets out the underlying principles, how the process works, how the oversight is provided, the level of independence and who is going to provide assurance. That is something that we have agreed with BEIS and UKGI.

The scheme itself was established with Herbert Smith's guidance and with Post Office's guidance. That is how the process will run and will work. As I say, the level of scrutiny and oversight is significant, and rightly so for something of this importance and magnitude.

**Q70 Tonia Antoniazzi:** Why does the scheme require claimants to waive further rights to action once an offer has been received? Do the claimants have to waive their rights to further action once they have had an offer?

**Nick Read:** The point of the process is that we want to make an offer to the individual that will be full and final. If they disagree with that or they do not agree that the offer is fair, there is a mediation process that they can get involved in. Again, that has independence and oversight as well. It allows people to be clear on what they require and what they need.

**Q71 Tonia Antoniazzi:** Do you have concerns that Herbert Smith supported Lloyds in developing the HBOS Reading scheme? If they have been involved with that, and you are working so closely with them, does that raise any concerns with you?

**Nick Read:** By definition, the fact that, as you are suggesting, the HBOS scheme was not as successful as it might have been is, in itself, something that Herbert Smith will be very acutely aware of, I am sure.

**Q72 Tonia Antoniazzi:** You spoke earlier about being inclusive with regard to the 555 group. What engagement has there been with claimants and their representatives in setting up the scheme? What are its terms of reference?

**Nick Read:** Do you mean the original 555 or from here?

**Q73 Tonia Antoniazzi:** The word "inclusive" stood out to me. In this case, when we are talking about the scheme, we do not believe that there has been full engagement with the claimants and their representatives in setting the scheme's terms of reference. Can you tell me why that has not happened? Do you believe that is the case?

**Nick Read:** Yes, we probably need to go back to the start of the 555 scheme itself. As I say, we believed we had engaged in a process that was fair, transparent and delivered in good faith. We had a settlement with the 555 that we believed was conducted in good faith and agreed. As I say, subsequently it has become apparent that the level of funding required by the 555 to bring that litigation is so significant that it has diluted the compensation they have received. That I can understand as being unjust.



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We have said that we would want to work with them to do this. Minister Scully has been extremely clear that he wants to engage with that population. Now that we have Sir Wyn saying he will be looking at it as part of the inquiry, there are two avenues here. I am confident that we will get to a point where I can continue to say “inclusive”. From my perspective, full and final closure for this matter is essential for the Post Office to move on as well as for the individuals themselves, and their families, who have been affected by this. I am confident that we will do that.

Q74 **Chair:** On the historical shortfall scheme, did the Government sign off on the design?

**Nick Read:** Yes.

Q75 **Paul Howell:** I am conscious of time, so I will try to keep my questions quick, and I would like quick answers as well, please. One of the big questions we have seen raised in previous sessions is about the difficulty of the records, when a postmaster would make an entry, and the incomprehensibility of what came back. You now have a situation where they apparently cannot even see the records. Even the Post Office lacks records and information. They are asking questions. Can you explain how claimants are supposed to justify where they are with that problem?

**Nick Read:** Again, that is a very good question. We recognise that, given the 20-year period, bringing evidence for a particular claim is going to be complicated. As I mentioned, a number of sources of information are required: HMRC, DWP, Post Office and RMG.

In terms of what the Post Office is disclosing and has disclosed, postmasters are able to write to us and say, “Can I see this information?” Where we do not have evidence or information—it is extremely difficult pre-2005—we have had those conversations with our independent panel, who will be the final adjudicators of the compensation scheme itself. We have said, “You will have to take into consideration the fact that evidence is simply not available. When you are determining compensation, this will be a factor that you have to acknowledge”.

If the information is not available, to your point, it is going to be difficult for people to evidence what those shortfalls are. The independent panel is very clear that it will take that into consideration when making awards.

Q76 **Paul Howell:** As a finance director in my past life, I know that even records that are very recent—even five years old—are sometimes incredibly difficult to trace. I really would encourage that flexibility.

**Nick Read:** I agree.

Q77 **Chair:** Part of this is your problem, though, Mr Read. If the victims were paying back shortfalls from their own money into what are referred to as suspense accounts at the Post Office, why do you not know who paid in what money when and therefore how much to give back to them?



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**Nick Read:** As I say, we do not have access to some of the records going back past 2005 in particular, in the sense that the quality of them—

Q78 **Chair:** Why do you expect the victims to have access to them, if you do not?

**Nick Read:** That is my point. Some will, but, where they do not have it, we have been explicit and said that there will be areas of evidence that will not be possible for people to identify. We have been very clear with our panel that it needs to take that into consideration when making awards. It is not a case of saying, “I do not have it, therefore I cannot see it”. We recognise that the quality of the evidence is going to be difficult in certain circumstances.

Q79 **Chair:** Since 2005, you do have that information.

**Nick Read:** We have some but not all of it. It is incomplete.

Q80 **Chair:** Why is it incomplete?

**Nick Read:** Because of the underlying system itself.

Q81 **Chair:** But you have to do a profit and loss account, do you not, Mr Read, with money coming in and money going out? If victims were putting money into the Post Office, surely you know that money came in from somewhere. Did it just go to your bottom line?

**Nick Read:** It went into a general suspense account.

Q82 **Mark Jenkinson:** I have a very quick follow-on to the questions from Paul and Tonia. This is a thread that has run through the evidence we have heard—people just paying money in, not understanding what was going on at the time and thinking that they were at fault. Is there not some merit in establishing an independent resource to help those claimants establish their eligibility?

**Nick Read:** That is a very good point. We have said that any information that we at Post Office have is accessible, and we will make sure it is accessible to any claimant who wants to come forward and ask, “What is the information that you have? Can we have access to that?” We have been clear that, from a disclosure point of view, we will provide information, depending on the scheme, to the CCRC and, indeed, to the individual postmasters themselves.

The short answer is yes. If postmasters feel they do not have access, of course they should come forward and ask the Post Office itself what information we have available and what information we will be using to assess the claims. That is going to be part of the overall determination of what that compensation will look like.

Q83 **Andy McDonald:** I declare my interest, similarly, for the support the CWU has given me in previous years. Mr Read, I heard a lot from you about this disparity between the historical shortfall scheme and the 555. You talked about equity, fairness and getting the mechanism right. Those



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watching this will want to have some assurance that there will be parity and that people will be uplifted, so there will be no discrepancy in levels of settlement between the two disparate schemes. Can you give some sort of indication or commitment that people are clearly yearning to hear?

**Nick Read:** Getting full, fair and final compensation for all the postmasters is essential. From my perspective, I do not believe the existing Post Office can move on until such time as that has happened. I have come in and been held responsible for making sure that nothing like this can happen again, that full and fair compensation is delivered to these postmasters and that we have a sustainable Post Office moving forward. That is important.

Q84 **Andy McDonald:** Coming on to that, can you tell the Committee how much the Post Office itself has paid out in all the legal fees from Horizon and in compensation? What is the total sum that has been paid out?

**Nick Read:** From Post Office itself, in excess of £300 million has been paid out in compensation, as well as legal fees and the cost of administering the claims process. That is a significant sum that comes from the commercial operations of the Post Office. We are very clear that we must bring closure to this process, so that we can, as an existing Post Office, move forward.

Q85 **Andy McDonald:** Of course, the lengthening of those legal proceedings has not helped.

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

**Andy McDonald:** Comments will perhaps be made about that decision in the future. Have you made any assessment as to the impact this is going to have on the Post Office network going forward in terms of branches, investment, staffing levels and, indeed, services for customers? Has this undermined its sustainability? What is your take on the health of the Post Office?

**Nick Read:** When I first joined the Post Office in September 2019, I was very clear that we wanted to have a self-sustaining Post Office that could fund itself. It would be fair to say that, with the costs associated with the historic shortcomings of the Post Office, that process will take longer.

It is also probably fair to say that we are a high street retailer. We are the biggest high street retailer in Europe in terms of physical outlets. By definition, the impact of the pandemic and the costs of addressing and settling historic matters will push out the self-sustainability of the Post Office probably for a number of years.

**Chair:** That brings this panel to an end, Mr Read. Thank you for your contributions. No doubt we will speak to you again when the statutory inquiry has concluded. Thank you.



## Examination of witnesses

Witnesses: Paul Scully, Carl Creswell and Tom Cooper.

Q86 **Chair:** We now welcome the BEIS Minister Paul Scully, who is responsible for the Post Office, and two of the Minister's officials: Carl Creswell, who is the civil servant responsible for the Post Office, and Tom Cooper, who is a director at UK Government Investments. Minister, good morning. Welcome back to the Committee.

**Paul Scully:** Good morning to you.

**Chair:** My first question is about the 555 group action litigants. We have heard from Mr Read from the Post Office that he agrees with essentially everybody else that they should be allowed to have access to full and final settlement beyond what was agreed in the settlement agreement. Why will the Government not just unwind the settlement agreement and give them access to the compensation scheme you announced in the House a few weeks ago?

**Paul Scully:** First of all, it has become absolutely clear that the 555 pioneered all the work here. They pushed this through to allow the other people to get their full and final settlement. They brought to the fore all these issues that we are discussing today and will be discussing, unfortunately, for another few months to come. I understand absolutely the strength of feeling by those postmasters, Members of Parliament and, indeed, the public.

I have met some of the individuals. Some of the people within the 555 will be able to access the compensation, if they have had a conviction overturned. None the less, for those people who were in the original litigation and who had the full and final settlement, it is clear that it is not the equitable settlement that—

Q87 **Chair:** What are you going to do about it, Minister?

**Paul Scully:** I continue to be in discussion with Alan Bates and the other representatives of the litigants. There is a meeting with some of the legal representatives in the next week or so, on the 19th, to see what we can do to get equitable justice for them.

Q88 **Chair:** We know what you need to do, but you need the money to do it. Do we need to call the Chancellor to this Committee? Is that the problem?

**Paul Scully:** We are in discussion with the Treasury. The Treasury has been amenable in making sure that the funding is there to be able to underwrite the Post Office's work on the various compensation schemes, and we will continue those conversations with the Treasury.

Q89 **Chair:** Assuming the Chancellor says, "I recognise the historic misjustice that has been carried out here" and that he agrees with you, the CEO of the Post Office and everybody else that they should have access to full



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and fair compensation, you are telling the Committee today that the settlement agreement they entered into originally will be unwound so they can have access to that scheme.

**Paul Scully:** I cannot determine a mechanism today, but what I will say is what I have said on a number of occasions—

Q90 **Chair:** It is not a mechanism. The settlement agreement says they cannot have access to any further compensation. If the Chancellor gives you the money and you are willing to give it to them, are you able to confirm that they will be able to access it?

**Paul Scully:** The settlement was not made by the Government. This is the issue. I cannot sit here and tell you, as a Government Minister—

Q91 **Chair:** Who was it made by?

**Paul Scully:** The Government was not part of the litigation process. It was Post Office and—

Q92 **Chair:** Yes, but we own the Post Office. You are the Minister responsible for the Post Office.

**Paul Scully:** None the less, it is still a corporate entity. This is why I am talking about mechanisms. I totally agree with the sentiment.

Q93 **Chair:** The CEO just told us he wants to do this, and he told us he cannot do it because of the Government, essentially because of money. We are going round in circles here. If the Post Office is willing for the 555 to get access to compensation—

**Paul Scully:** This is why it comes back to mechanisms. The sentiment is absolutely there, but the mechanism is that the Post Office is a corporate limited company. It is a limited corporate entity. It was the lead in the litigation and made the settlement. None the less, that is why we will continue the conversation. I really want to get this sorted out ASAP. The 555 were the people who led on this. They opened up all of this for the other people who have been prosecuted and who have had those shortfalls over many, many years.

Q94 **Chair:** We all agree, but the 555 need more than sentiment. They need compensation.

**Paul Scully:** Exactly, and that is why we have the conversation next week with their legal representatives. I will work at speed. Now the pandemic is starting to move towards the next stage, this is by far and away the most pressing issue in my list of responsibilities as a Minister.

Q95 **Andy McDonald:** I am still a little confused. I would have thought that HMG, as the shareholder of the Post Office, was in a position to do something about it. Dr Neil Hudgell told this Committee that, of the 59 former subpostmasters he is representing who have had their convictions overturned and who are seeking compensation, three have been refused compensation. Can you tell us why these claims have been refused? Are



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there any other claims that have been refused in addition to those three?

**Paul Scully:** It is the interim payments have not been extended to those three people. As far as I understand it, the Post Office did not speak against their appeal for public interest reasons, but it did not believe that Horizon was a major plank in the discussions around the appeal. That is why it has taken that view. The public interest was there so they did not have to go through a retrial in Crown court.

**Carl Creswell:** Yes, that is correct. Those individuals are able to make a request to the Post Office, which has confirmed that it will consider that, but they have not at this stage been offered an interim payment, because the Post Office's view has been that the reliability of Horizon evidence is not central to those individual claimants' cases. There is still an avenue for these individuals to discuss compensation.

**Paul Scully:** Yes, compensation itself has not been turned down.

Q96 **Andy McDonald:** In terms of the interim payments more generally, can you advise when they will be finalised? Is there a timescale that you have in mind for finalising these payments? You have been making interim payments already. What is the timescale that you have in mind to conclude the—

**Carl Creswell:** These follow on from judgments that are leading to the convictions being overturned by the Court of Appeal. It is not as if there is a fixed date, such as next month, by which we can say that all the interim payments will be made, because they are clearly dependent on when those convictions were overturned. What I would say, though, is that there is a commitment to make those payments within 28 days of the application coming from the individual to Post Office. Good progress is being made on that so far.

Q97 **Andy McDonald:** Do you have any idea of how many more applications are coming, seeking to overturn the convictions?

**Paul Scully:** This is part of the issue that you were talking about before with Nick Read, in terms of reaching out to postmasters. It is for them to come forward to start that process. This is the problem when we come up with mechanisms against natural justice. They will need to apply for those convictions to be overturned. As soon as they have been overturned, as Mr Creswell says, Post Office will be paying those interim payments within 28 days.

Q98 **Andy McDonald:** In terms of those mechanisms, you will have in mind some idea of the amount of money that you will have to put aside for future compensation payments. Can you give some guidance on that? More broadly, what support is being offered to these applicants? Clearly, they have been to hell and back over these years. What sort of support is being offered to them right now?



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**Paul Scully:** In terms of support, I will give you one specific example with the interim payments. One of the letters requesting applications for interim payments came across to some of the people who had their convictions overturned as quite heavy-handed, because it was phrased in a legalistic way.

As you rightly identified in your opening questions, there is a mistrust in this entire process, not just with the Post Office but with the Government and with everybody, because they have had 20 years of absolute hell. Why would they trust authority in general? As you rightly said, we have to deal with action rather than just warm words. Post Office and Government are trying to work together in collaboration to make sure that wording can be as empathetic as possible and we can work as quickly as possible.

We have the independent panel and advisers working on the shortfall schemes to make sure that we can work with the postmasters; to make sure that, if there is no evidence available, for example, we do as much as we can and extend their expertise as much as we can to those people requiring compensation; and to make sure that they can get all the information they need together in the simplest way so it is not delayed.

Q99 **Richard Fuller:** Thank you, Minister. Turning to the historical shortfall scheme, was the number of claims that were made vastly underestimated?

**Paul Scully:** It was. The number of people who applied was a lot higher than the Post Office first anticipated.

Q100 **Richard Fuller:** Why was that?

**Paul Scully:** As we have already heard, it is difficult to assess with incomplete records over such a long period—over 20-odd years. Would that be fair, Tom?

**Tom Cooper:** Yes, it is very difficult. The degree of losses, disaffection and unhappiness with the system—both the Horizon system and the processes around it, as Mr Justice Fraser pointed out—was much more extensive than Post Office expected. The initial estimate we saw for the historical shortfall scheme was a couple of hundred. It turned into many, many more.

Q101 **Richard Fuller:** Is that claims?

**Tom Cooper:** Yes.

Q102 **Richard Fuller:** Our colleague, Mr Kevan Jones, the MP for North Durham, said in a Westminster Hall debate: "The Post Office has no idea. In its accounts, it budgeted for £35 million of compensation. The figure is now estimated to be more than £300 million". Do you recognise those figures as being broadly correct?



**Tom Cooper:** It is correct that £35 million was the initial estimate. The current estimate of the cost of the historical shortfall scheme is £153 million, which is what was in the last accounts. That will be updated when the new accounts are published.

Q103 **Richard Fuller:** Your expectation is that it will be updated upwards.

**Tom Cooper:** Not necessarily, no. It is not clear that it needs to move significantly either way based on the information we have currently.

Q104 **Richard Fuller:** It is still five times what the estimate was.

**Tom Cooper:** Absolutely, yes.

Q105 **Richard Fuller:** Who is going to be held accountable and how are they going to be held to account for that?

**Paul Scully:** There is clearly going to be a big wash-up. When we have gone through the shortfall schemes and the inquiry, we will have a rounded picture. That is the time to—

**Richard Fuller:** Someone will be held to account.

**Paul Scully:** Clearly, yes. Tom is the representative of UKGI on the board there. He is making sure that he can get the best possible information from the board and working through these estimates. Carl and the Post Office team within BEIS have regular discussions with the Post Office, to hold their feet to the fire and make sure we get the best information. We want to make sure that the Post Office is in the best place it can be to move forward.

Q106 **Richard Fuller:** We all want to move forward, but one of the concerns is that perhaps that underestimate has had the consequence that fewer claims—only 30%—have been processed. Has that caused a greater delay? Is that true?

**Paul Scully:** Correct me if I am wrong, but what happened at the beginning and why it was slow to come through is that there were a lot of de minimis claims that we had to go through—ones at the far lower end of the spectrum in terms of compensation. Clearly, some people will have lost significantly more money than others in consequential losses and the like.

**Carl Creswell:** Yes, that is accurate. It took a little bit of time for the independent panel to get started and to agree the principles, which are now in a good position to be rolled out and for those claims to be processed quickly, as Nick Read was saying in your earlier session.

I am not sure that it is a bad thing, on the face of it, that the number of postmasters who applied was higher than originally estimated, but you are quite right. We have been scrutinising the Post Office's performance because of the delays that have happened. You have already heard today about various steps that we have encouraged the company to make, such



as doubling the size of the panel, increasing the frequency of meetings and so on. We are confident that it will move forward well now. More than 2,000 postmasters stand to benefit from the HSS.

**Q107 Richard Fuller:** It sounds like you are satisfied that, after an initially slow start, the Post Office has speeded up its process fairly well. Can I ask you, Minister, about the alternative dispute resolution process? You may not have these figures to hand, but can you say how many disputes have been settled, and in whose favour, under the alternative dispute resolution process?

**Paul Scully:** Do you mean in terms of the Post Office?

**Richard Fuller:** Yes.

**Carl Creswell:** I am happy to take this. This refers to those cases that have had convictions overturned, working through the court.

**Richard Fuller:** Yes.

**Carl Creswell:** There have not yet been any settled cases through that process, but we have been working actively with the Post Office to put in place the process for handling the full claims. Beyond the interim payments that we have already made, as discussed today, two offers have already been made to one of the law firms that represents some of the claimants.

The process that is being followed, which we have agreed with the Post Office, is to apply the principles, which build on case law and so on, to a couple of early test cases. That will then set the framework, in the same way as the principles for the HSS will help with the processing of those claims. Essentially, it is a bit of a legal engagement between the company and the claimants via the solicitors, but we are closely involved in the ADR process, and we can say more if you would like to hear more.

**Richard Fuller:** I would appreciate that; thank you.

**Q108 Mark Pawsey:** Mr Scully, we heard from Nick Read about the efforts that have been made to contact all the affected postmasters, but there is still a very substantial number who have not come forward. Are you happy that the Post Office has done enough to try to contact everybody who was affected?

**Paul Scully:** Yes. There is always more that we can do. It is interesting; the coverage of the whole Horizon situation is slightly odd, inasmuch as so many people, including Members of this House, know that something really bad has happened but they are not quite sure what. It has gone on for decades. So many Members say to me, "You are dealing with that Horizon thing."

We can always do more with the media to make sure that people are fully apprised of the situation and that there is compensation for the people



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who have gone through this process. The Post Office has done its best with a mixed bag of prior history, as you have heard. Because it has been over 20 years, a lot of the information has not been as robust as it might have been, if we were starting the entire process now.

**Q109 Mark Pawsey:** Do you share Mr Read's concern that there may be some people for whom this was such an awful episode in their lives that they simply want to put it behind them? While they may be entitled to compensation, this involves revisiting all of that angst. For that reason, they are not coming forward. What can we do to encourage those people to receive the compensation that is appropriately due to them?

**Paul Scully:** This comes back to the empathy point and to speaking in plain English rather than taking a legalistic approach. You are absolutely right. I have seen this. I have spoken to some subpostmasters. You asked earlier about the age profiles. I remember one of the postmasters who has subsequently died, and his widow spoke incredibly movingly on the BBC.

You have Christopher Head and Tracy Felstead, who were incredibly young when they were convicted. When I met Tracy and some others with the Prime Minister, she was telling me about how she has had to revisit her situation with her young children 20 years on from when this happened. I do not underestimate the pain; I do not underestimate the lack of trust in authority in this, as I have said. It is not easy, but I would be happily open to suggestions about what more we can do to reach out to people and to regain their trust, sufficient for them to come forward for compensation and justice.

**Q110 Tonia Antoniazzi:** I will just reiterate that I am a member of the all-party parliamentary group on fair business banking, which has raised some key concerns with the Committee about the scheme. They have told us that, in their opinion, the scheme is "strikingly similar to the HBOS Reading Griggs Review".

Mr Read said earlier—I know the Minister was in the room—that Herbert Smith is involved in this scheme. It was involved in supporting Lloyds in developing the HBOS Reading scheme. Minister, is this scheme fit for purpose?

**Paul Scully:** Yes, I believe it is. Herbert Smith Freehills is a significant player in this area. It knows how to structure a scheme; it knows how not to structure a scheme, having learned the lessons, I am sure, from that HBOS scheme. The principles of this scheme were agreed with the steering group from the claimants of the original litigation, and it has been built on from there in full consultation with us and with as many stakeholders as possible.

**Q111 Tonia Antoniazzi:** Should the Post Office have the final say in who gets the payments and the interim payments? It looks like the fox has been put in charge of the henhouse here. That is not right.



**Paul Scully:** That is where the independent advisory panel comes in. It can bring in that sense of independence and confidence that there is in that independence. We have to be seen to be doing the right thing as well as to do the right thing. That is where they come in. The system is there to get the right balance between speed and maximising the compensation they get; otherwise, all we are going to do is stifle things in the courts.

This comes right back to a couple of years ago, when we were talking originally about the inquiry. The reason I wanted to make it non-statutory rather than statutory was to get the right balance between speed and taking a comprehensive approach. The approach of the compensation scheme gets that balance right.

Q112 **Paul Howell:** Let me come back to the points we made to Nick Read earlier with regard to the credibility of the accounting systems, the accounting information and the access to data that the postmasters have. We have talked about how you can get them to have the confidence to come back and make a claim if they have not already made one. I do not know why they would, given the depth of problems that they faced the first time round.

I do not know what assurance you can give them, but that is what I am asking for. How should they approach their claims? What information can they use that is credible or would be deemed credible by the Post Office in assessing those things? If they cannot get to the Post Office information, is the fact that they have made a payment enough to say, "There is the proof. There is my cheque that I paid in"? Can they get to their records that are 20 years old? I do not know how you get the confidence in there, but I am looking for some sort of reassurance.

**Paul Scully:** I totally understand. That is exactly what the independent advisory panel is there to do: to provide that independence, to provide a sense of distance and empathy, and to say, "We appreciate that you do not have the evidence. We do not have the evidence; you do not have the evidence. Let us work with you to make an accurate assessment that is acceptable to both parties".

**Carl Creswell:** That is exactly right. We are seeing that some postmasters do have evidence of an individual payment, and that information is part of the discussion. In some cases, clearly and obviously they do not. That is why we have the independent panel in place to help with that sort of lack of evidence.

Q113 **Paul Howell:** That is a panel to assess the claims. Is it appropriate to have some sort of independent resource to enable the postmasters to formulate their claims in a way that is going to be well received by the panel? There will be myriad claimants trying to do different things. It would be nice if there were some sort of co-ordinated mentors or a support system to help the claims come in in the right way in the first place. That would help all parties.



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**Carl Creswell:** The terms of reference for the Post Office's historical shortfall scheme make it clear that it would contribute towards the costs for individual claimants, if necessary. That is something that the Post Office has already operated. The way in which the process works, for example, with good faith meetings between the company and the individuals, is intended to provide some support and dialogue rather than a "computer says no" type of approach.

**Paul Scully:** For the overturned convictions, the £100,000 was not just for good will; it was there should they need financing for legal advice and so on, so that there would be something there for them immediately before they came back with their presentation of evidence.

Q114 **Paul Howell:** I think there is a need to try to give them as much support as possible in the core preparation of their claims and to make sure there is some sort of co-ordination; otherwise, they are going to go off on different angles.

**Paul Scully:** As Carl was saying, the idea that the first few cases of this will shape the rest of the process will give those applicants the ability to see what has happened, given the precedent, and to present their evidence in a particular way.

**Paul Howell:** It is an incredibly difficult place.

**Paul Scully:** It is.

**Paul Howell:** I would commend you to do as much as you can to bring both the postmasters who are in the process and those who are not to a better place.

Q115 **Chair:** There are some legitimate concerns about the design of the scheme. Presumably the scheme can be changed and improved, if you agree that there are legitimate concerns. Is that right or is it completely locked down and unable to be amended in any way?

**Paul Scully:** Yes, if the scheme is not seen to be working, we will clearly look at it. The resolution cannot be amended that we want to make sure people get compensation. We know what the end result is. How we get there is very amendable.

**Carl Creswell:** The HSS stands to benefit a lot of postmasters who have applied. One of the concerns I have about that is that any change to the terms of the scheme can sometimes disrupt the delivery. As Nick Read was explaining, we are at the point that 777 postmasters have had offers and more stand to benefit quite significantly over the coming months. It is an important consideration. If you were to say that you think the HSS should be completely paused, it is worth being aware that quite a large number of postmasters stand to benefit from the scheme as it is rolling out at the moment.



**Paul Scully:** It comes back to the balance between speed and delivery. Nothing is perfect, but we will try to make it as perfect as possible.

Q116 **Chair:** Mr Read told us that he hoped that 85% of the claims would be processed by the end of this calendar year. Presumably the people who are affected by the arrangements of the scheme not working in their circumstances will be the residual at the end. You may wish to amend it later on.

**Paul Scully:** I believe he said 95%.

**Chair:** That is even better.

**Paul Scully:** I would be aiming at 100% myself.

Q117 **Charlotte Nichols:** I have a couple of questions around responsibility for Post Office decisions. First, to Mr Cooper, UKGI sits on the Post Office Ltd board. Can you explain its oversight role and input on Post Office decisions relating to the group action litigation, the decision to settle, the settlement agreement and the decision to exclude the 555 group action litigants from the historical shortfall scheme?

**Paul Scully:** Can I just take this briefly? I totally understand the reasons you would be interested in this. This is more a case for exactly the kind of thing that Sir Wyn is looking at in his statutory inquiry. All of those decisions taken through the litigation are right at the heart of who said what when and getting that sense of justice.

Q118 **Chair:** The question from Ms Nichols is about compensation, which, as you know, you excluded from the terms of reference of the inquiry. Insofar as the question relates to the design and delivery of compensation—

**Paul Scully:** I thought you were talking about the litigation, sorry.

**Charlotte Nichols:** No, the compensation.

**Paul Howell:** Forgive me.

**Tom Cooper:** I thought you had mentioned the GLO. Shall I start by talking in general terms about what our remit is?

**Charlotte Nichols:** Yes please.

**Tom Cooper:** Essentially, our responsibility is to do with corporate governance-related matters affecting the company. We advise and report to BEIS on those things. That includes things like the financial performance of the company, its strategy and business plans, its funding and its finances, and appointments to the board. I lead the team that does that, and I sit on the board as a non-executive director. I have the same status as the other non-executive directors on the board. The compensation aspect falls within, effectively, the finance and funding part



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of it. None of this compensation can be made available without Government funding.

Q119 **Charlotte Nichols:** Mr Creswell, can you explain what role BEIS played in deciding on the compensation arrangements for the 555 group action litigants?

**Carl Creswell:** As the Minister said, this is an issue that Sir Wyn is likely to look at. He has made it clear that compensation will be within the terms of how he approaches things, including the adequacy of that compensation.

What normally happens in this sort of settlement, given the size and the nature of it, is that Ministers would be consulted on the overall funding envelope that is proposed for this sort of payment—even in this situation, where it was the Post Office that was paying it—and officials would look at what was being proposed to ensure that it was within the terms of what Ministers had agreed around the funding envelope. That is what happened in this case. As I said, I expect that this will be scrutinised in more depth by Sir Wyn in his statutory inquiry.

Q120 **Charlotte Nichols:** Mr Scully, can you more generally outline the decision-making boundaries between BEIS, UKGI and Post Office Ltd on Horizon issues relating specifically to the compensation arrangements?

**Paul Scully:** The Post Office has designed the scheme; we have signed off on the scheme. As Government, we are having to underwrite the compensation of the scheme, which we are happy to do for the reasons I have given before. That is essentially the approach.

Q121 **Alan Brown:** My question has been covered, but let me probe the Minister a wee bit more. Can you provide further clarity on the boundaries between BEIS, UKGI and Post Office, as well as the ministerial role? Earlier on, Minister, you said that the Post Office was a separate entity. I am trying to understand what the Minister for the Post Office actually does and how that interacts with all these decision-making processes.

**Paul Scully:** I am the Minister for postal affairs. That covers oversight of the Post Office, oversight of Royal Mail and oversight, in this instance, of UKGI as the representative on the board. The Post Office is Post Office Ltd, and like any other limited company it is limited by share. It is a corporate entity. It is an unusual style of arm's length body compared with other arm's length bodies that—

Q122 **Alan Brown:** Is it a ministerial post in name only, effectively?

**Paul Scully:** No. The shareholder is my boss, the Secretary of State for BEIS. We do have sign-off on board members. As I say, we have a representative on the board there. None the less, Post Office has operational independence and it is a corporate entity.

Q123 **Alan Brown:** Surely, as a shareholder, you can have input and say on



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compensation.

**Paul Scully:** Of course we can, just like any other shareholder—of BT or, indeed, of a small company—would have. A shareholder may have board representation if it is a significant shareholder like we are. We do have board representation. That is typically how we would have our input on a more day-to-day basis.

Q124 **Alan Brown:** It is at arm's length, but the Government, as a shareholder, can have a major say and major input in things.

**Paul Scully:** Yes.

Q125 **Alan Brown:** Therefore, it could be more proactive in the compensation matters.

**Paul Scully:** We are. That is exactly what we are doing in terms of making sure that the Post Office set up the scheme as it has. We are working with Nick Read and the board to make sure it is delivered as quickly as possible. In terms of things like the historical shortfall scheme, that has not been as quick as they would have liked, and certainly not as quick as we would have liked. We have worked together to push for further speed on that and to make sure we can reduce costs in the approach as well.

Q126 **Alan Brown:** As a shareholder, were the Government satisfied that the Post Office dragged out the litigation claim of the 555? Surely the Government, as a shareholder, could have had some influence and stepped in rather than allowing the process to be dragged out.

**Paul Scully:** That process itself, the Government's approach, BEIS's approach and UKGI's approach in what you are suggesting, whether this has been stretched out and how it was stretched out, is exactly what Sir Wyn is looking at in his statutory inquiry. I was not Minister at the time. My personal view is clear. That is why we are here today. That is why we are having to work with those 555 to make sure they have access to compensation and justice, just like any other people who have been wronged over the last 20 years.

In terms of the answers that you are looking for and that I would like as well, there is no point in me opining, having set up an independent inquiry. I do not want to colour Sir Wyn's approach in any way. I probably should not have said what I just said, for exactly the same reason.

**Alan Brown:** Obviously, we all agree that we want answers.

Q127 **Chair:** I am getting a slight sense of sloped shoulders. The Post Office says to us that it agrees that all these issues need to be resolved, but it cannot do it without Government. In some of the answers you have given today, you have said, "Of course we can look at this. Yes, we will push this." When you were asked about decision making and oversight, you said, "That is a Post Office decision, not a Government decision." I should



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say that we have gone through the scope of our interim hearings with Sir Wyn Williams and his team, and he is comfortable with our approach, so you should feel free to speak freely.

I just want to take one example to try to probe that a little further. Let us look at the historical shortfall scheme. Post Office designed it with advice from its law firm. It says that Government signed it off. I just want to understand that process. Somebody designed the scheme. The law firm designed the scheme and gave it to Mr Read at the Post Office. Mr Read probably reviewed it with his legal team. Did he then bring it to the board, Mr Cooper?

**Tom Cooper:** Yes, absolutely.

Q128 **Chair:** You were able to ask questions, as a non-executive director, of Mr Read about the scheme design.

**Tom Cooper:** Yes, with the lawyers there as well.

Q129 **Chair:** You were able to approve that, presumably.

**Tom Cooper:** Correct, yes.

Q130 **Chair:** Mr Creswell, what was your involvement? The Post Office board signed it off. Did they report it to you after they made the decision or before they made the decision?

**Carl Creswell:** Given the scale of taxpayer input that is necessary as part of the historical shortfall scheme, we were shown the proposed business case and we consulted Ministers on the overall approach. In discussing the nature and design of the scheme—as you say, it was designed by the Post Office, which then consulted us—we were very clear that we wanted to build in a significant role for the Government within the delivery of the scheme to ensure, in part, that we had sufficient reassurance from Ministers about how that scheme was going to be delivered.

I could outline to you quite a lot of steps that we have put in place for us to have a role. For example, the Government have an approval right in relation to the overall principles that are in place for the case assessors and for the independent panel to provide the assurance to Ministers that we believe is necessary.

Q131 **Chair:** All of that happened before the board approved it.

**Tom Cooper:** In practice, it was in parallel. Any board approval was subject to Government approval anyway, because of the financial cost. As Carl is saying, it could not proceed anyway without Government approval. In practice, the two go hand in hand.

Q132 **Chair:** Minister, did you have to sign this off? Was this at official level?

**Paul Scully:** No, I then signed it off.

Q133 **Mark Jenkinson:** Minister, when we factor in legal fees, compensation,



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the setting up of the shortfall scheme and the independent review, what has the total cost been to date?

**Paul Scully:** I do not have the figure for the total cost at the moment. Carl, do you have that?

**Carl Creswell:** There are various elements to it. There is the GLO settlement cost, which fell to Post Office Ltd, which is the £57.75 million, of which £42.75 million has been mentioned previously. We have the forecast cost for the historical shortfall scheme of £153 million, as Mr Cooper mentioned earlier, and the £5.7 million that has been paid so far for the interim payments.

Q134 **Mark Jenkinson:** What is the estimated outturn when we factor everything in? Do we have a figure on that?

**Carl Creswell:** We should write to you with a breakdown between Government and Post Office. I suspect you are keen to understand the division between the different organisations. I know Nick Read has given you some indication of the legal costs that are falling on their side. I would want to analyse the data in more detail to give you the costs on the Government side. There have been costs for Government in supporting all these processes, too.

Q135 **Mark Jenkinson:** It would include the independent review, the historical shortfall scheme and any legal costs. What assurances, then, can you give us that this will not impact on frontline Post Office services—branches, staffing and investment in the frontline?

**Paul Scully:** Can I just clarify? Are you after the total to date?

**Mark Jenkinson:** The total to date and the estimated outturn.

**Paul Scully:** Okay, fine. We can give you the total to date. We have a figure that the Treasury is looking at. We will write to you with that breakdown. That will clearly depend on the level of compensation. It is difficult to crystallise at the moment, although the Post Office will clearly have to crystallise an amount for its accounts.

In terms of the ongoing viability of the network, this is exactly why the Government are stepping in to underwrite this process. I have said on a number of occasions that we cannot secure the future of the Post Office and the important social and economic value it brings—it is a major high street retailer, as you have heard—without settling the past. That is why the Government have stepped in to underwrite the situation: so we can allow the Post Office to move forward, to keep and develop its network and to preserve that social value.

Q136 **Mark Jenkinson:** Is it a key part of that underwriting that Post Office does not then seek to cut its frontline services?

**Paul Scully:** Yes, it is a massive part of that.



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I know that was the last question, but can I just answer the charge of slopey shoulders? This is as frustrating a period for you as it is for us, and it is a desperate period for the postmasters concerned. I understand the seeming simplicity of the approaches that have been suggested. Given the nature of it and the length of time it has taken, we have picked this up and are trying to progress it as best we can. Let us have the conversation with the lawyers of those people involved. Let us make sure we can work through this in the next few weeks. I do not want this to last much longer.

At this moment in time, as a junior Minister in this Government who has oversight of the Post Office but does not have direct operational control of the Post Office, I cannot sit here and give you the guarantees that you would like and, frankly, I would like as well. I am trying to answer the questions to the best of my ability, understanding that there is a lot of frustration, because this was 20 years in the making and we have to get this done within months.

**Q137 Chair:** When you talk about a timescale of the next few weeks, does that mean a decision on the 555?

**Paul Scully:** As I say, we have a conversation with their legal representatives coming up in the next few days. We are trying to understand some fundamental things about who has legal oversight for the 555 now, as opposed to what happened in the original litigation, and mechanisms like that. Again, they are seemingly apparent, but as soon as you scratch the surface there are a whole load of questions that need to be answered, which we will get sorted.

**Q138 Charlotte Nichols:** Just to come back on Mark Jenkinson's question, unless I misheard, Mr Creswell, you said that £57 million had currently been paid out in compensation.

**Carl Creswell:** I think you did mishear. It was £5.7 million for the interim payments of £100,000 each. That is for those with overturned criminal convictions. The ADR process will then give more money to those individuals who have received the interim payments so far.

**Q139 Charlotte Nichols:** The reason I am interested in this is that—Mr Jenkinson was talking about the total cost to the taxpayer and the amount of public money that has been spent on fighting this—we have heard in evidence to this Committee already that the Government used around £100 million of public money to try to stop this case going forward. We are hearing today that the amount of money being paid in compensation is tiny in proportion to that. It strikes me that the amount of money that has been spent in perpetuating the miscarriage of justice that happened in the Horizon scandal and the amount of money that has been paid to litigants are wildly out of kilter with each other.

**Carl Creswell:** I would stress that the interim payments number I gave you is just a small proportion of the compensation that is going out to postmasters. You need to add in the HSS and the GLO payments that



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have already been made. I did not hear about the £100 million paid by Government to object to or resist the claim.

**Tom Cooper:** You get to £100 million if you add the Post Office's legal costs plus the settlement.

**Carl Creswell:** It is the Post Office spending money that you mean.

**Charlotte Nichols:** It is Government money—public money.

**Tom Cooper:** Yes, public money.

**Paul Scully:** Yes, except, as I say, there are commercial revenues at the Post Office as well. None the less, it is underwritten by Government.

**Chair:** You offered to write to us in answer to Mark Jenkinson. If you could, itemise the funding allocations between the different parts, and if, by the time you write to us, you get some clarity around the 555, say how much you think the number might need to go up by in order to include them in the compensation scheme.

We have finished with questions today, which means you get off in good time for BEIS questions on the Floor of the House. Thank you for coming here before departmental questions today. We appreciate it.

As I said at the beginning, these two interim hearings have been specifically about compensation. When Sir Wyn Williams has concluded his statutory inquiry, we will pick up any further questions that we have concerns about as a Committee. No doubt we will speak to all three of you on that occasion too. For the purposes of today, I will bring the session to an end.