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Darren Jones MP
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Dear Darren,

POST OFFICE: COMPENSATION FOR HORIZON SCANDAL

The Post Office Horizon scandal, which began over 20 years ago, has had a devastating impact on the lives of many postmasters. Starting in the late 1990s, the Post Office began installing Horizon accounting software, but faults in the software led to shortfalls in branches' accounts. The Post Office demanded sub-postmasters cover the shortfalls, and in many cases wrongfully prosecuted them between 1999 and 2015 for false accounting or theft.

I am writing to update you on the latest steps that the Government is taking to ensure that swift and fair compensation is made available to postmasters.

Group Litigation Order scheme

The Government wants the postmasters who exposed this scandal through the High Court Group Litigation Order case to receive similar compensation to that available to their peers. In March 2022, the Chancellor announced that further funding would be made available to deliver this compensation. On 2 September my predecessor wrote to all postmasters in the Group Litigation Order group to ask for their views about whether BEIS or the Post Office should deliver the scheme, and whether it should be organised along the lines of the Historical Shortfall Scheme or based on Alternative Dispute Resolution. In short there was very strong support for an Alternative Dispute Resolution scheme, to be delivered by BEIS. This is the route that we will follow.

The informal consultation also requested views on other issues related to the scheme. Unsurprisingly, there was considerable concern among postmasters that the scheme should be subject to properly independent input. In the light of this, we have decided to create an independent advisory Board chaired by Professor Chris Hodges, an expert in alternative dispute resolution. The membership of that Board will include Lord Arbuthnot and Rt Hon Kevan Jones MP who are recognised by colleagues across Parliament for many years of outstanding campaigning for the wronged postmasters. The advisory Board will be supported by a BEIS secretariat.

Since the consultation closed, a great deal of work has been done to develop the details of scheme, drawing on the detailed comments made in response to the consultation. I am today writing to members of the Group Litigation Order with further information about how the scheme will work.

We are now asking claimants to prepare preliminary information about their claims. In parallel, we are working to engage Alternative Dispute Resolution specialists and lawyers to deliver it. Those experts should be on board in early Spring, and at that point full claims will be submitted. I hope that compensation will start to flow before the summer, and that most cases can be resolved before the end of 2023.

We have already announced that we will meet postmasters' reasonable legal costs in claiming under the scheme. To enable lawyers to work on preparing claims, we are today announcing details of the costs tariff for the early phases of the scheme, which have been set by independent costs draftsmen. We will shortly be inviting claimants' lawyers to make proposals for the expert evidence which they will need. I am also pleased to say that the compensation payments will be disregarded for benefits purposes (once secondary legislation is in place).

I have placed on <https://www.gov.uk/government/publications/compensation-scheme-for-group-litigation-order-case-postmasters> a copy of my letter to Group Litigation Order postmasters and a number of supporting documents.

Overtaken Historical Convictions

I am also pleased to provide an update on Post Office's progress in delivering compensation to those with overturned historical convictions.

Lord Dyson considered the awards available for non-pecuniary damages, which are personal damages such as mental distress and loss of liberty, in an Early Neutral Evaluation process earlier this year. Since then, the Government has supported Post Office's approach to deliver compensation more swiftly by settling non-pecuniary claims first using the framework established by Lord Dyson. As of 1 December, 51 claims for non-pecuniary damages have been received and 37 offers made, worth £4.7m in addition to interim payments already paid.

Regarding pecuniary damages, which are financial damages such as loss of earnings, only 8 claims have been received to date, 2 of which have been settled in full and final settlement alongside their non-pecuniary damages. Government continues to encourage Post Office to process these claims as fast as possible.

As of 1 December, 82 claims for interim compensation have been received and 77 payments made, worth £7.7m. Post Office has also identified potential cases of hardship and offered and paid further hardship payments of £100,000 to 3 postmasters. Furthermore, following the recent statutory tax exemption and Early Neutral Evaluation, Post Office decided to increase the upper limit of interim payments for all future applicants to £163,000 (from the original level of £100,000). For those claimants who received the original interim payment amount of up to £100,000, the Post Office had focussed on progressing and settling their non-pecuniary claims. However, where claimants who had received the original interim payment amount of up to £100,000 and were not able to submit a non-pecuniary claim by early December and so it is unlikely that their non-pecuniary claim would be settled by the end of the year, Post Office has offered top-up payments of £63,000.

Historical Shortfall Scheme

I am also pleased to see the progress that Post Office has made in delivering compensation to postmasters through the Historical Shortfall Scheme. As of 30 November, 93% of eligible claimants have been issued offers of compensation, totalling £70.8m.

The cases that remain are some of the most complex and the Post Office is working to process these claims as soon as possible. However, the Government recognises the fact that those claimants who are yet to receive offers or payments may have been waiting for a considerable period of time for their cases to be settled. For these reasons, the Government is pleased that the Post Office will introduce interim payments for those who have yet to receive an offer or who have chosen to dispute their offer. This will be in addition to the existing hardship payments that the Post Office has already been providing to claimants in particularly difficult circumstances.

The Government announced in October that it is providing funding to the Post Office to enable eligible late applications to be accepted into the Historical Shortfall Scheme. The Post Office is beginning to process the late claims it has received to date, and I would encourage anyone else who thinks they might be eligible to get in touch with Post Office at the earliest opportunity to discuss their claim.

Benefit Disregard

The Government is aware of the impact of the Horizon scandal on affected postmasters, resulting in significant financial hardship, including bankruptcy for some.

Many postmasters have now received compensation payments which would take them over the £16,000 capital limit, rendering them ineligible to receive means-tested benefits and reducing pension credit entitlement. This risks prolonging the impacts of the Horizon scandal on these postmasters by affecting their eligibility to apply for benefits.

We are therefore introducing a benefits disregard for all Post Office and Horizon-related compensation. Once the secondary legislation for this disregard is in place, payments received by postmasters will no longer count towards the capital limit for means-tested benefits and pension credits and will therefore not affect their eligibility to claim for these.

The Government will legislate to put this disregard in place at the earliest possible opportunity.

I am grateful to you and your committee for your support on this important issue.

Yours ever

A handwritten signature in blue ink, reading 'Grant Shapps'.

RT HON GRANT SHAPPS MP
Secretary of State for Business, Energy & Industrial Strategy