

The Rt Hon. Liam Byrne MP
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House of Commons
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Dear Liam,

Post Office Horizon: Redress and Costs Update

Following the recent hearing on ‘fast and fair redress’ for victims of the Post Office Horizon scandal, I would like to follow up with some further information.

I am committed to continuing the Department’s engagement with the Committee on this important issue and to keeping you updated on the delivery of Post Office-related financial redress and associated costs on a regular basis. It is a key priority for this Government to ensure that redress is provided fairly and swiftly to postmasters who are victims of the Horizon IT scandal.

Information on the number of claims received, processed and paid is published monthly on GOV.UK¹. We continue to make progress, with approximately £499m paid to over 3,300 claimants to date across the four Horizon redress schemes. Unless otherwise stated, the figures in this letter reflect the position as of 29 November. This represents a more than doubling of compensation paid out since the new government came into office.

We are also now publishing quarterly reports that provide further detail on progress and identify barriers. These are prepared by independent case managers for schemes where those are in place, such as from Sir Gary Hickinbottom, who I know gave evidence to you on 5 November. The first set of reports were published on 13 August 2024².

Requests for Further Information (RFI)

At the Committee’s recent hearing I was asked if there were instances where a RFI has been used to reduce offers across redress schemes. I have checked with my officials and can confirm to the Committee that RFIs are only issued with the aim of clarifying information which would enable the Department or Post Office to increase an award under a specific head of loss. The Department will make this explicit in letters to postmasters when sending RFIs going forward.

¹ <https://www.gov.uk/government/publications/post-office-horizon-compensation-data-for-2024>

² <https://www.gov.uk/government/publications/glo-compensation-scheme-financial-redress-reports-for-2024>

Cost of External Lawyers

I was also asked what the likely cost of external lawyers will be. A breakdown of Government and POL legal costs, as well as claimant legal costs, is provided below. These costs are estimates based on a variety of assumptions and as such are subject to a high degree of uncertainty. Claimants' legal costs in particular may vary depending on a range of factors including the scale, complexity and number of claims. Additional detail on spend to date (based on actual out-turn) are provided in Annex A.

Government & POL legal costs:

Total lifetime legal costs, based on contracts, are estimated to be:

1. *GLO*: £6.95m (exc. VAT);
2. *HCRS*: £21.6m (exc. VAT);
3. *HSS*: £68.1m (inc. VAT); and
4. *OC*: £16.3m (inc. VAT).

For redress schemes administered by the Department, these legal costs are estimated to be approximately 3% of total redress spend.

Claimant legal costs:

We estimate that approximately £121m will be spent on claimants' legal fees across all four Horizon-related redress schemes across the lifetime of the schemes.

Project Phoenix

Finally, I would like to follow up on the question as to whether the Post Office's Project Phoenix is a good use of taxpayers' money. In general, we expect the Post Office to take action on any allegations of wrongdoing. We understand that many will struggle to trust the Post Office to undertake a fair investigation, and this is why it is a priority that the Post Office must continue to change its culture and effectiveness to build respect and trust with its postmasters and its customers. We therefore are supportive of the project in general but agree with the comments that Nigel Railton subsequently made to your committee about the importance of the Post Office ensuring that it does not spend excessive amounts of money in this area.

Further Updates

Convictions Overturned by Legislation

On 24 May 2024, the Post Office Horizon (Offences) Act 2024 received Royal Assent. This legislation quashed Horizon-related convictions according to set criteria in England, Wales, and Northern Ireland. In Scotland, the Post Office Horizon (Offences) (Scotland) Act 2024 quashed relevant Horizon-related convictions for Scottish postmasters.

As part of the implementation of the legislation, the Ministry of Justice, Northern Irish Executive and Scottish Government have been taking all reasonable steps to identify and notify people with convictions within scope of the legislation. The notifications are accompanied by an invitation to claim redress, plus supporting materials. They publish monthly progress data³.

Horizon Convictions Redress Scheme (HCRS)

My Department launched the Horizon Convictions Redress Scheme (HCRS) on 30 July. The HCRS provides financial redress to those whose convictions have been quashed by the legislation, on a UK-wide basis. Applicants have the option of accepting the £600,000 fixed sum offer or submitting a claim for detailed assessment.

The scheme is delivered by the Department. We have procured the services of Addleshaw Goddard to provide a team of case assessors. In addition, Dentons has been employed to provide independent alternative dispute resolution and establish an Independent Panel to review any claims where the Department's offer of redress is not accepted. I announced at your Committee session that Dentons has appointed Sir Gary Hickinbottom as the Chair of the HCRS Panel. As you will be aware, Sir Gary is a former judge of the Court of Appeal and is already the Chair of the Independent Panel for pecuniary loss disputes on the Overturned Convictions scheme.

We have committed to a target of making a first offer to 90% of applicants who have submitted a full HCRS claim within 40 working days. We plan to make the same commitment for cases where the applicant disputes this first offer – once we have received a complete challenge to an HCRS offer, we will issue a substantive response to 90% of applicants in 40 working days.

As of 29 November 2024, 251 offers for initial interim payments have been accepted and 232 of these payments have been made. 98 claimants have already decided to settle their claim and have accepted the £600k fixed offer route of redress. The remaining 134 are at the stage of considering which route of redress they wish to take. The scheme allows them to take as much time as they need to make this decision, and we advise all claimants to engage a solicitor to help them make this decision. Of the 98 individuals who have settled their claims, 82 have already received their final settlement payment and the remaining 16 are awaiting payment. A total of £79m has been paid out in redress to claimants via the HCRS.

Overtaken Convictions (OC)

People with convictions related to the scandal who are exonerated by the Courts can claim redress under the Overtaken Convictions scheme. As of 29 November 2024, of the 111 convictions overturned, 77 have submitted full claims. Offers have been made to 68 of the 77 people who have claimed. Of these offers, 63 have been accepted and 62 have been paid.

To encourage early submission of full claims, the previous Government announced in January that it will provide payments of £450,000 (less any other interim payments previously made) to eligible claimants upon receipt of a full pecuniary claim. We will continue to review the process to ensure it is moving as quickly as possible and encourage claimants to bring forward their claims as soon as they are able to.

³ [Post Office \(Horizon System\) Offences Act 2024: quashed convictions management information - GOV.UK](#)

Retired High Court judge Sir Gary Hickinbottom chairs an independent panel that assesses the pecuniary losses of those postmasters with overturned convictions where disputes arise. Sir Gary is also working with claimant representatives in a case management function to ensure that there are no undue delays in resolving pecuniary claims, and we are grateful for his support in improving the delivery of the scheme.

As I mentioned at the Committee hearing, we are actively looking at whether we might be able to bring the OC scheme into the Department. I will of course update the Committee further when we have completed this work.

Group Litigation Order (GLO)

We are determined to deliver redress to this group as quickly as possible. As of 29 November, we had received full claims from 334 of the 492 eligible postmasters. We are concerned about the rate at which claims are being submitted. When we do receive full claims, we deal with them promptly. Of the 334 claims, we had made offers in respect of 315, leaving only 19 claims in hand. Officials are working closely with claimants' legal representatives with the aim of accelerating the submission of claims. During November, 28 full claims were received. Claimants' lawyers indicated to you that they expect this rate to increase with the vast majority of claims submitted by Christmas.

The Department is committed to the target of making a first offer to 90% of claimants who have submitted a full claim within 40 working days. As of 29 November, 89% of claimants had received their first offer within that period. The Department consistently obtained 90% from June 2024 and expects performance to return to this level shortly.

GLO claimants may choose to settle their claims on a full and final basis for a total fixed sum of £75,000 inclusive of interest, instead of making a claim for their individual losses. As of 29 November 2024, 153 people had accepted the £75,000 fixed payment.

By the end of November, we had issued 159 individually assessed offers, 82 of which had been accepted and 20 were being considered. A further 57 are subject to challenge. When postmasters submit a challenge, we pay 80% of the offer. We resolve most of these challenges bilaterally, often following a clarification of evidence. So far, only four claims have been referred for consideration by the independent panel.

I acknowledge Sir Alan Bates' proposal to set a March 2025 deadline for resolving GLO claims. Reaching settlements with all GLO claimants by that date would be an excellent outcome. We would expect substantial redress to be paid by the end of March in response to all full claims submitted by Christmas: 80% if an offer is challenged or 100% if it is accepted. However, final redress payments can only be made once full claims are received. A deadline could have the opposite of the intended effect and could rush people into making claims or similarly rush responses to offers – which we are not prepared to do.

I do nevertheless acknowledge that the Department's response to challenges has been too slow. It is right that we have focused our efforts on issuing first offers, and some challenges have proved particularly complex and have taken longer to resolve.

We have brought in additional staff to assist, as I announced during the Committee session in mid-November, the Department has set a target to issue a substantive response on challenge cases received after 1 December within 40 working days of receiving a complete challenge, in 90% of cases. Claims will be assessed in the date order in which they were submitted, so no challenge submitted before 1 December will be left behind.

Horizon Shortfall Scheme (HSS)

All 2,417 of those who applied to the HSS before the original deadline of March 2021 have received offers of redress. Since the scheme was reopened, a further 2,385 eligible claims have been received as of 29 November (many prompted by the ITV drama *Mr Bates vs the Post Office*), of which 765 have received offers. A total of 2,545 HSS offers have been accepted and 2,511 have been paid. Since the introduction of the £75,000 fixed sum offer, £122m has been paid out in award top-ups and £75,000 awards.

About 300 cases are in the scheme's dispute resolution process. Recognising the considerable period that these remaining claimants have been waiting to settle their claims, Post Office is making interim payments of up to 100% of the offer to those who are currently progressing through the Dispute Resolution Process.

I wrote to the Committee in September to inform you that the Government is establishing an independent appeals process for the HSS, in line with the recommendations from your Committee in the previous Parliament. The appeals process will enable claimants to have their case re-assessed where they feel that their original outcome did not reflect the full extent of their losses. The Department is now working to ensure that this new process is up and running in early 2025. Furthermore, as I indicated in my evidence to the Committee, we are considering whether, at some point, the Department could take over delivery of the HSS.

Suspension Remuneration Review

In the Group Litigation Order, the High Court found that Post Office acted unlawfully in not paying suspension pay to postmasters suspended for any reason. To remedy this, the Post Office has written to all affected postmasters offering arrears of suspension pay plus interest. Postmasters can also claim consequential losses.

As of 29 November, Post Office had made offers of compensation to 1281 postmasters, with payments made to 1041, totalling around £12.1m in value. The current offer acceptance rate is 80% (noting that 37 individuals are appealing their offer, and 213 individuals are yet to respond to their offer). Post Office has now issued 2,460 letters to current and former postmasters disclosing the initial documents that they need to provide in order to receive compensation for the losses.

Post Office Process Review Scheme (PPR)

Following the High Court Judgment, Post Office conducted an internal review of its operational policies and processes to investigate whether any may have caused postmasters to suffer financial losses. This review identified specific issues with some of these policies and processes. The PPR will provide redress to those affected and compensate for any consequential losses suffered. A pilot scheme has been launched to enable Post Office to obtain Postmaster feedback on the claims process, ensuring it is fit-for-purpose. The Department is working with the Post Office to review the full process and to communicate with all current and former postmasters to outline the scope of the scheme as soon as possible.

The Department will continue to provide oversight to ensure any future compensation is delivered quickly and effectively to affected postmasters.

I am depositing a copy of this letter in the Libraries of both Houses.

Yours sincerely,

A handwritten signature in black ink that reads "Gareth Thomas". The signature is written in a cursive style, with the first name "Gareth" and the last name "Thomas" clearly distinguishable.

GARETH THOMAS MP
Minister for Services, Small Business and Exports
Department for Business and Trade

Annex A: Horizon-Related Costs

1) Group Litigation Order (GLO)
<u>Legal and POL contract estimates</u> • Government contracted with Freeths LLP for administration of interim payments and provision of data and methodology. Total value of contract £150k excluding VAT. • Government has contracted with Dentons LLP and Addleshaw Goddard to help run the GLO scheme. These contracts are valued at £2.5m and £4.3m respectively, excluding VAT. • Government contracted with the Post Office to enable it to disclose information to GLO claimants. The contract value was £3.7m (exc. VAT).
<u>Payments to date (as of 29 November 2024)</u> • £114.7m has been spent on redress on the Scheme in total, including 231 full and final settlements and agreed interim/partial payments. • Payments to Dentons LLP: c.£1.2m • Payments to Addleshaw Goddard: c.£2.2m. • Payments to Post Office: c.£4.0m • Payments for claimants' reasonable legal fees and expert evidence: c.£13.3m Payments to date exclude recoverable VAT and may therefore on occasion be higher than contract values which are set exclusive of VAT. Figures from April 2023 are subject to audit and may change.
2) Horizon Shortfall Scheme (HSS)
<u>Costs to date</u> • As of 29 November 2024, offers have been issued in all original eligible cases. The total value of claims paid is £245m, including £31.9m in interim payments to original claimants, £7.4m in interim payments to late applications and £122 million in award top-ups and £75,000 awards. • £68.1m (including VAT) has been spent on Post Office legal costs as of 29 November 2024 for the programme to provide financial redress to claimants. A further £18.1m in legal costs are forecast across the remainder of the scheme.
3) Overturned convictions (OC)
<u>Costs to date</u> • Post Office has reached full and final settlement with 62 postmasters. The total amount paid out to postmasters so far is around £61m. • Government has reimbursed Post Office £67.5m to date, which includes financial redress and claimants' legal/professional fees. • £16.3m (including VAT) has been spent on Post Office legal costs as of 29 November 2024 for the programme to provide financial redress to those with overturned convictions. A further £2.7m in legal costs are forecast across the remainder of the scheme.

4) Horizon Convictions Redress Scheme
Legal and POL contract estimates Government has contracted Dentons LLP and Addleshaw Goddard to help run the HCRS. These contracts are valued at £12.1m (excluding VAT) and £9.5m (excluding VAT) respectively. • Government is contracting Post Office Limited to enable it to disclose information to HCRS. Costs to date • As of 29 November 2024, we had paid a total of £79m in redress payments to claimants, including 82 full and final payments. • Payments to Dentons LLP: £0.111m (inc. VAT) • Payments to Addleshaw Goddard: £0.088m (incl recoverable VAT) • Payments for claimants' legal fees: £1.7m (inc. VAT)
5) Suspension Remuneration Review (formerly referred to as Suspension Pay Scheme)
Financial redress to date Post Office has sent offer letters of financial redress to 1281 postmasters, with payments made to 1041 totalling around £12.1m in value.
6) Horizon IT Inquiry
Costs to date • Government spent £51.7m running the independent Post Office Horizon IT Inquiry up to the end of March 2024. Please note, this figure is subject to audit. • Post Office spent £139m in legal and administrative costs in responding to the Inquiry to March 2024. Estimated outturn • Government: Additional cost estimates for FY2024/25 for the running costs of the Independent Post Office Horizon IT Inquiry are not yet finalised and will be provided in a future update to the Select Committee. • Post Office's estimated lifetime legal and administrative costs in responding to the Inquiry are £182m.