



Department for
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Darren Jones MP
Chair, Business, Energy and Industrial Strategy Select
Committee
House of Commons
London SW1A 0AA

2 February 2022

Dear Darren,

POST OFFICE AND HORIZON COSTS

Thank you for your invitation to give evidence to your hearing on postmaster compensation on 11 January. I promised during that discussion to provide you with further information on the costs relating to the Horizon issues. The Committee requested the total cost to date covering legal fees, compensation for those with overturned criminal convictions, the setting up of the Historical Shortfall Scheme and the Horizon IT Inquiry, and the estimated outturn when factoring in all these cost areas. Please find these overleaf in the annex to this letter.

It is important to state that we are committed to ensuring that compensation is provided fairly and quickly to those entitled to it. This has been a desperate period for the postmasters concerned and the Government is committed to delivering full and final justice for those involved.

Although my officials and Post Office have made best endeavours to provide a complete picture, there are some areas where future costs for the coming financial year have not yet been finalised, and where costs in years beyond that are difficult to estimate with reasonable accuracy at this time. These areas are explained in the annex. Within my commitment to keep the House updated on Horizon compensation developments I would be happy to periodically provide updates to the Committee, as the estimated outturns and costs to date continue to be clarified in relation to the various programmes of postmaster compensation activity.

I should emphasise that in some cases the figures provided are for the maximum possible cost, rather than the estimated or expected outturns. Actual spending is therefore likely to be rather lower. That caveat applies to the £1 billion Government spending figure which has been referred to in the media in recent weeks.

As mentioned by you at the 11 January hearing, I am expecting another opportunity to discuss with the Committee the progress made on addressing the wrongs of the past, and the findings of the Horizon IT Inquiry when that has concluded. In the meantime, I hope that the information provided overleaf answers the outstanding questions that the Committee may have about the costs involved.

I am copying this letter to the Post Office Chief Executive Nick Read, the Chair of the Horizon IT Inquiry and the Chair of the Public Accounts Committee.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Paul Scully', with a stylized, cursive script.

PAUL SCULLY MP

Minister for Small Business, Consumers & Labour Markets
Minister for London

ANNEX A – HORIZON-RELATED COSTS

Please note that these figures are accurate as of 27th January 2022 and include allocations made within department budgets and costs incurred.

Common Issues and Horizon Trial (GLO/555) 2016-2019

Estimated outturn and costs to date – Post Office

- **£57.75 million** settlement reached by Post Office in December 2019. This included:
 - £42m for damages, litigation funding, insurance costs or other costs, or other relief claimed in the Action;
 - £0.75m for a Support Fund which the Claimants would establish and administer to provide financial relief and assistance in hardship cases; and
 - £15m towards the Claimants' legal costs.
- **c.£43 million** for Post Office's legal and professional consultancy fees connected with the litigation and other costs indirectly related to the litigation.
- No Government funding involved.

Historic Shortfall Scheme (HSS)

Estimated outturn

- **£153 million** estimated cost of settlement compensation as set out in a provision in Post Office's 2019/20 annual report.
 - This includes c.£89 million from Post Office. BEIS 2020/21 accounts contain a provision of £65.4 million to cover the remaining settlement amounts.
- **£69 million** in Post Office legal and administrative costs.
 - This includes design, administration, set-up and running costs of the scheme and is an estimate upon closure of the scheme once all payments have been made.

Explanatory Notes

- The total amount of HSS settlement costs will depend on the compensation paid out under the scheme, which will be determined by the Independent Panel, and, if the initial offer is not accepted, through negotiation with claimants via alternative resolution methods.
- An initial estimate of £233 million of maximum budget cover from the Government for HSS compensation payments was published by BEIS, as we are required to do, on the TCA subsidy website. This was an estimate of maximum budget cover potentially required from Government and is not an estimate of likely outturn in settlement costs. The £153 million provision included in the Post Office accounts provides the best estimate of likely overall compensation spend under the HSS.

Costs to date

- Post Office will shortly write to the Committee with an update on the latest figures on settlements offered and paid under this scheme – these payments will be funded by Post Office.
- The Government has made no financial contributions to date.

Compensation for overturned convictions

Estimated outturn

- **£780 million** is the estimated maximum potential spend for payment by BEIS of compensation to cover both the interim payments of up to £100k paid within 28 days of an overturned Horizon-related conviction, and the final settlements – this is not, however, an estimate of the likely outturn settlement costs (please see explanatory notes below).
- **£16 million** is the current forecast for all the associated legal and administrative costs to be covered by the Post Office.

Explanatory Notes

- Actual costs will be determined by the total number of overturned convictions and the individual settlements reached.
- The estimated maximum £780 million figure was published by BEIS, as we are required to do, on the TCA subsidy website, broken down into maximum estimates of £94.4 million to cover interim payments and £685.6 million to cover final settlements.
- As was the case on the HSS, we expect that Post Office will publish a more accurate provision in its forthcoming annual report and accounts for the estimated outturn on total settlement payments.
- These funds will cover settlement payments only and will be paid to Post Office in arrears to fulfil interim payments and individual settlements where the offer made has been accepted by the claimant.
- Government is not contributing to the Post Office's legal costs for negotiating compensation settlements or for defending litigation if despite best endeavours on both sides a settlement cannot be agreed with claimants.

Costs to date

- Post Office will shortly write to the Committee with an update on the latest figures on interim payments offered and made to eligible postmasters – these payments will be funded by Government.

Other Post Office Costs (as at December 2021)
<p>Costs to date</p> <ul style="list-style-type: none"> • £30 million on Post Office legal fees relating to legal obligations, response and support activities in relation to postmasters who wish to appeal their Horizon-related convictions. <ul style="list-style-type: none"> ○ This includes costs associated with identifying and contacting potential future appellants, discovery and disclosure of over 4.5 million documents and preparation and representation at hearings before the Court. • £19 million other legal, project management, governance, operational reviews, improvement implementation and contracts, regarding Horizon-related issues and requirements, to the end of FY2021/22.
<p>Estimated outturn</p> <ul style="list-style-type: none"> • Costs in these areas for the remainder of the compensation settlement process cannot be reliably estimated at this time because any further such activity will largely be responsive and demand-led, e.g. as appeals against postmaster convictions are progressed.
Horizon IT Inquiry
<p>Costs to date – Government</p> <ul style="list-style-type: none"> • £1.6 million for running the independent Post Office Horizon IT Inquiry for FY 2020/21 and FY 2021/22 up to the end of January 2022.
<p>Estimated outturn</p> <ul style="list-style-type: none"> • Additional cost estimates for the remainder of FY 2021/22 and for FY 2022/23 are not yet finalised and will be provided in a future update to the BEIS Select Committee on Horizon-related costs.