

Witness Name: Sir Vince Cable

Statement No.: WITN10830100

Dated: 27 June 2024

POST OFFICE HORIZON IT INQUIRY

FIRST WITNESS STATEMENT OF RT HON. SIR VINCE CABLE

I, SIR VINCE CABLE, formerly Secretary of State for Business, Innovation and Skills, will say as follows.

INTRODUCTION

1. I was the Secretary of State for Business, Innovation and Skills between 12 May 2010 and 12 May 2015, and the Liberal Democrat MP for Twickenham from 1997 to 2015 and again from 2017 to 2019.
2. I make this statement in response to the Post Office Horizon IT Inquiry request for evidence dated 10 May 2024 ("the Rule 9 request"). It relates primarily to my direct involvement in issues relating to the Post Office Ltd ("POL") and subpostmasters between May 2010 and May 2015. I have prepared it with the

support of the Government Legal Department and counsel. I have attempted to describe events as far as I can recall them, though the fact that they took place so long ago – coupled with the fact that problems with Horizon barely came across my desk – means that my recollection may not be perfect. As Secretary of State, my portfolio was wide-ranging and I was involved in a vast number of official meetings – I do not remember many of them (let alone the briefing officials gave me for each of them). I have depended on others putting documents before me to assist me in preparing this statement, but I am informed that a large number of documents which should have been retained cannot be located – such as my official diary and minutes of meetings. I have therefore had to rely on my memories of events from over a decade ago to a greater extent than I would have liked. Any views expressed in this statement are my own.

3. I believe that the treatment of subpostmasters by the Post Office and the subsequent miscarriage of justice is an appalling scandal. The immediate priority is to ensure that unjust sentences are overturned and financial compensation paid in full and promptly to the extent that financial remedies can make up for the suffering of the wronged individuals and their families.

4. Post Office management has accepted responsibility for acts of commission and omission and for abuses of the executive powers which were delegated to them by Parliament. These abuses occurred under a large number of ministers in Labour, Coalition and Conservative governments and we all share some responsibility for the fact that this happened on our watch. I accept my share of

that responsibility and apologise to the victims for the fact that they were so grievously let down.

5. I should add that while the focus of the Inquiry is quite properly on the sub-postmasters and injury that they have suffered, the dishonesty of Post Office officials has also done harm to trust in official advice without which government cannot properly function.

6. I have structured this statement in four sections. In the first section I describe the relevant background and explain the way in which I worked as Secretary of State. In section two I provide a chronological account, based on a combination of documentary records as made available to me and my own recollections and observations. In section three, I respond to specific questions set out in the Rule 9 request where not addressed in sections one and two. In section four, I offer some reflections and suggestions.

SECTION 1: BACKGROUND

7. Following my graduation from Cambridge University in 1966 with a degree in economics, I was employed as a Finance Officer in the Kenya Treasury. I was then a lecturer in economics at Glasgow University, where I obtained a PhD in economics in 1973. I was then First Secretary in the Diplomatic Service, working on Latin America. After that, I directed economic research at the Overseas Development Institute, was special advisor to the Commonwealth Secretary

General and director of economic research at the Royal Institute of International Affairs (better known as Chatham House). From 1990 to 1997, I worked for Shell International, latterly as its Chief Economist.

8. I was a Labour councillor in Glasgow in the 1970s, and later served as a special advisor to the Secretary of State for Trade, John Smith. In 1982, I became a member of the newly formed SDP, which in 1988 merged with the Liberal party to the become the Liberal Democrats.
9. I was first elected to Parliament in 1997 and served as Lib Dem MP for Twickenham for 20 years. I was party leader from 2017 to 2019.
10. Following the May 2010 general election and formation of the coalition government under David Cameron, on 12 May 2010 I was appointed Secretary of State for Business, Innovation and Skills and President of the Board of Trade. I remained in office until 12 May 2015, following the 2015 general election.
11. Whilst this statement relates primarily to my involvement with the Post Office Ltd ("POL") and subpostmasters during my time as Secretary of State between May 2010 and May 2015, I did have extensive prior experience of dealing with the Post Office, as a Liberal Democrat party spokesman and MP.
12. I had a long experience campaigning against Post Office branch closures, nationally and locally. I was critical in Parliament of the treatment of subpostmasters by Post Office Counters and secured an Adjournment Debate

on 21 July 1999 (RLIT0000221 Post Office Counters Ltd Volume 335: debated on Wednesday 21 July 1999) to address the issue with particular reference to a constituent. After spending a large sum of money on the business, she had her contract revoked for seemingly tiny errors. I described POL management as 'highly authoritarian' and criticised the lack of an appeal process for contract termination; I also identified the imbalance in the relationship between the Post Office and subpostmasters. The then minister declined to discuss the case and referred to the Post Office Act 1969 which made POL a Public Corporation, which limited ministers' role to "*broad issues of general policy and overall financial control*" and making it "*inappropriate and impractical for ministers and government to become involved in decisions and disputes related to individual offices*" (RLIT0000221). The leader of the National Federation of Subpostmasters ("NFSP" or "the Federation"), Colin Baker, told me that they were handling a good many such cases and by using their offices we were able to obtain full compensation.

13. I became aware of allegations of fraud when another constituent was charged and lost his post office (St Margaret's). I cannot recall exactly when this was – probably around 2001-2002. I approached the family and offered to help. They told me that the charges were unjustified but said they wanted to rely on 'justice' and not to involve me as MP. The family never mentioned IT.

14. Out of this grew a commitment by me and my party to prioritise in government new investment in the branch network to stop its decline (from 23,000 branches in 1980 to 17,000 in 2000 to 11,900 in 2010).

15. The Secretary of State for BIS, in my tenure, held a very wide range of government responsibilities (UKGI00017390 Ministerial Topical Briefing Pack dated 26th June 2014): universities, colleges and skill training; science and innovation; trade promotion and trade policy and arms export licensing; industrial policy and the Industrial Strategy; business regulation and SMEs; working with the Chancellor on banking reform; bank business lending and establishment of new banks (GIB and BBB); regional development; the EU Single Market; competition policy; employment law and trades unions; consumer protection; and around 50 arms-length bodies of which the Royal Mail and the Post Office were amongst the more substantial. Between 5 and 6 Ministers were appointed to oversee different parts of the portfolio.

16. The role of Secretary of State involved juggling a wide variety of commitments, not just in the department but also: as a Cabinet minister dealing with the whole range of national policy; as a Parliamentarian involved in usual Parliamentary business, most importantly passing laws; as a senior party figure dealing with issues in the Coalition, media and internal party matters; as a constituency MP dealing with individual constituents and local issues; as well as preparations for elections and campaigning.

17. I managed this combination of roles with the help of a very efficient team in my constituency, two Special Advisers to deal with 'political' matters in the department, a PPS (Parliamentary Private Secretary) to liaise with MPs, a press officer and, crucially, in BIS a Private Office of – usually – six civil servants who acted as a link to the rest of BIS led by the Permanent Secretary.

18. The role of the Private Office was to act as a point of liaison with policy officials and those outside the department, and to select the matters to bring to my attention and prepare briefs for decisions, sometimes in consultation with political advisers (SPADs). It prepared the daily diary – often involving multiple meetings with briefs; alerted me to important decisions I needed to make with accompanying briefs; ensured that my decisions were communicated to the department and implemented; and alerted me to important correspondence and events so that I was informed. Every evening, briefs – sometimes 10 or so of varying priority – would be given to me in a 'red box' to study and make decisions on overnight. In all of this, it had to exercise judgement about which were the priority matters to which my limited time should be directed.

19. The Private Office was also responsible for handling correspondence to and from me – both emails and letters. The large volume of correspondence addressed to the Secretary of State would rarely if ever cross my desk: the system did not involve me seeing incoming letters unless there was a special reason for the Private Office drawing it to my attention. Instead the Private Office would pass the letter to the relevant civil servant in the Department responsible for the subject in question who would prepare a reply for signing by or on behalf of the

appropriate minister (UKGI00013863 Letter from Edward Davey to Norman Lamb MP re: response to letter re audit procedures and accusations levelled against sub postmasters - Mrs Henderson). This is true generally, including in relation to the majority of the documents to which I have been referred to in the Rule 9 request. The January 2011 response from Ed Davey to Norman Lamb (UKGI00013863) is one example of this – it is evident that Norman Lamb’s letter of 15 December 2010 (POL00294731) was addressed to me, but I did not see it or respond to it and almost certainly did not know it, or Ed Davey’s response, existed. I refer in this witness statement to those documents I would have seen. Occasionally I would be asked to sign outgoing letters if the recipient was – say – a Privy Councillor or a fellow member of the Cabinet. And when I was asked to sign letters, the Private Office would be expected to indicate if it was a routine, uncontroversial matter or a letter that required careful consideration. Sometimes I would be given a large stack of letters to sign, without sight of the correspondence it was in response to, and could only pay attention to those flagged as needing my attention. And sometimes letters were signed (pped) by my Private Office on my behalf.

20. I attempted to maintain morale and a sense of strategic direction in the department through weekly meetings of the Coalition ministerial team, regular individual meetings with ministers – there were 6/7 – and the Permanent Secretary, quarterly meetings with the senior cadre of civil servants and annual gatherings of the whole department.

21. During my time as Secretary of State, ministerial responsibility for postal affairs rested with: Ed Davey (from May 2010 to 3 February 2012), Norman Lamb (from 3 February 2012 to 4 September 2012), Jo Swinson (from 6 September 2012 to 18 December 2013 and from 30 June 2014 to 8 May 2015) and Jenny Willott (from 18 December 2013 to 30 June 2014).

22. I had regular discussions with these Lib Dem Post Ministers about their responsibilities which ranged far wider than the Post Office but included priority areas about Post Office modernisation, mutualisation and related Post Office (as well as Royal Mail) issues. Ministers would occasionally seek my support as in approaching Cabinet colleagues or bank CEOs to secure profitable business for the Post Office; or engaging with the Treasury.

23. I would not expect ministers to inform me about issues which did not need my attention. Essentially, I would only expect them to do so if they themselves thought there was a major issue which needed to be dealt with at my level or if they were finding themselves in difficulty in Parliament or in the media and wanted support. My impression throughout was that they were confident and competent in getting on with their jobs and that they didn't need my support unless they asked for it. And sometimes they did ask for it – but never in relation to Horizon.

24. The system relied on trust in the integrity, efficiency, competence and good judgement of the officials acting under the Civil Service Code (and helping me to

operate within the Ministerial Code). Inevitably mistakes were made in a high-pressure and big, complex department. But my impression was that BIS was served by high quality, honest and effective officials.

25. I was conscious that every Secretary of State of a big department with a wide and often technical portfolio must take civil service briefing on trust and, in order to avoid a 'Sir Humphrey' problem, I established a weekly surgery for MPs to raise issues directly with me without officials being present (arranged by my parliamentary Private Secretary ("PPS"), Tessa Munt MP).
26. Accountability to Parliament operated through parliamentary questions and debates and through the BIS Select Committee. In practice, much interaction with MPs acting on behalf of constituents takes place informally in the House – I frequently interacted with MPs in the division lobby and they regularly lobbied me on issues relevant to their constituency business – or, in my case, with the weekly surgery for MPs.
27. Communication with the Post Office and other arms-length bodies took place through occasional – roughly annual – meetings with the CEO and the Chair and, separately, the union (the Federation, or NFSP).
28. I calculate that I probably had around 7,000 to 8,000 official meetings in BIS (about 8 per day; 4/5 times a week over 40 weeks and 5 years) on an enormous range of subjects (plus many others informally). Without sounding too pompous

or self-important I hope I could be forgiven for not remembering many of them let alone what the briefing for each of them said. It was not possible for me to prioritise or be across the detail of all of the issues within the remit of my department, and that is not the Secretary of State's role. Officials (i.e. civil servants) and junior ministers had specific policy responsibilities, and they needed to exercise judgement about the issues which they should bring to my attention – either as something that presented big issues or problems, or which they needed my support with. But throughout my 5 years in office, I did not give close attention to issues relating to the Post Office's IT system because no-one was suggesting to me at the time that it warranted it.

SECTION 2: CHRONOLOGICAL ACCOUNT

29. In this section, I provide a chronological account of my involvement in the matters related to this Inquiry during my time as Secretary of State.
30. On 12 May 2010 I was appointed Secretary of State for Business, Innovation and Skills. Whilst I had been in parliament for seventeen years, this was my first ministerial role.
31. Upon my appointment I set three objectives for the Department and Ministers responsible for postal affairs:
 - a. To secure additional funding to invest in the Post Office network to modernise and improve services in post offices to prevent further closures

and to improve postmasters' earnings. In the event £2 billion was obtained, in stages, from the Treasury for the Network Transformation programme, which achieved its basic objectives (there have been virtually no net closures since 2010).

- b. To split the Royal Mail from the Post Office with the Royal Mail privatised and the Post Office network retained under public ownership.
 - c. To address the imbalance in the relationship between the Post Office and subpostmasters, giving postmasters a greater say in the running of the network, and to advance, in partnership with the Federation, the idea of mutualisation.
32. These were, from the outset, my priorities.
33. I was not briefed by officials on, or otherwise aware of, any issues to do with the Post Office's IT system at this time.
34. And, throughout my time as Secretary of State, the only time Horizon was presented by officials or ministers as an important issue for me to be involved with was in March 2015, when I recall an official asked me to sign letters prepared by officials in response to questions raised by James Arbuthnot and a letter from the BIS Select Committee – I deal with the circumstances below.
35. Occasionally, POL-related issues were raised in my weekly surgeries (the nature and purpose of which I have explained above) and followed up, for example elevating the financial services role of the Post Office when banks had closed 'the last bank in town'. I have no recollection of any MP raising Horizon with me

at these meetings, and do not believe it was ever raised. Nor did any MPs raise the Horizon IT system with me in the division lobbies.

36. During the Inquiry I have heard about the valuable and conscientious work of MPs campaigning on behalf of postmasters. I was not aware of their activities at the time. I frequently met these MPs in the division lobbies and (as explained above) had a weekly surgery to meet MPs on constituency matters. While I was Secretary of State MPs spoke to me about all sorts of things within my brief. None ever raised the issue of postmasters with me face-to-face with the exception of Andrew Bridgen and I am confident that this did not involve discussion of IT issues.
37. Whilst Horizon was on a few occasions raised in correspondence addressed to me, with very few exceptions my correspondence was dealt with by officials and at the level of the responsible junior minister – none of whom flagged these issues to me as needing my engagement.
38. Similarly on a few occasions Horizon was touched on in briefings prepared by civil servants in advance of meetings – but these briefings never flagged Horizon as an issue that required my focus and time.
39. Normally in Parliament when an MP writes a letter and is not satisfied with the reply, they ask an oral question, and perhaps secure an adjournment debate. These questions and debates were always dealt with at the level of the

responsible junior minister. Indeed, I was not aware of Horizon issues being raised in the House until March 2015. Whilst a perception may have taken hold that Parliamentary debates and ministerial statements relating to Horizon were major set piece events, in reality junior ministers making statements to Parliament are a very regular occurrence and Westminster Hall events are very low key events, not major or significant in themselves. I would only have been aware if departmental officials or my Special Advisers or the Post Minister had drawn it to my attention – which I do not believe they did. There were literally hundreds of parliamentary questions related to BIS issues during my time as Secretary of State.

40. In the course of preparing this statement, my attention has been drawn to an unsigned letter dated “August 2012” to David Miliband MP, apparently a draft prepared by officials on my behalf (UKGI00013690 Letter from Vince Cable to Rt Hon David Miliband MP re: Constitute Kevin Carter's Experiences as a Sub postmaster and POL's Independent Review of Cases). I understand this letter to have been held by UKGI, and it is therefore reasonable to assume it was drafted by officials in the Shareholder Executive (“ShEx”). The draft letter indicates it is a response to a letter from Mr Miliband dated 23 July 2012, which apparently enclosed a letter from Mr Miliband’s constituent Kevin Carter. I have seen neither David Miliband’s nor Kevin Carter’s letter. The draft response stated:

“I have noted Mr Carter's experiences and concerns as subpostmaster at Biddick Hall but should also note that POL remains fully confident about the

robustness and integrity of its Horizon system and related accounting processes. Since 2000, many millions of branch reconciliations have been carried out with transactions and balances accurately recorded on Horizon by more than 25,000 different subpostmasters in total.

Nevertheless, in the light of discussions with James Arbuthnot MP and a number of other MPs with ex-subpostmaster constituents who had raised concerns about Horizon, POL recently agreed to an external independent review of a small number of individual cases that had been raised with them by several MPs.

The external review of specific individual cases will be undertaken by a firm of forensic accountants and the timescale and precise processes for identifying the cases for the review are in the process of being finalised. James Arbuthnot will arrange for the details to be circulated to interested MPs in due course.

I would therefore recommend that you contact James Arbuthnot to discuss Mr Carter's case and its possible inclusion in the cases to be reviewed by the forensic accountants."

41. I have no recollection of this correspondence at all. I have not seen a signed and dated version of this letter, though it is fair to assume someone in the department responded, and did so along the lines of this draft referred to above. As David Miliband was a Privy Counsellor, normally I would have been asked to sign the response as a matter of courtesy – though I note that this was in the summer

recess and I may not have been available – or it would possibly be signed by officials on my behalf. Assuming I was asked to sign this or a similar draft, which is possible, it was not highlighted as something I needed to pay attention to. As explained, you would quite often get a big batch of letters to sign in one go, and you would just sign them unless you were told by the Private Office that it involved a more controversial matter and advised to read it and consider it more carefully (as happened in March 2015). It may have been signed (pped) on my behalf.

42. So far as I am aware, Mr Miliband did not come back to me (or the Post Minister) as was often the case with unsatisfactory departmental letters.

43. I do recall a meeting in the Department with Andrew Bridgen MP and an NFSP representative (whose name I cannot recall). I cannot now recall when precisely this was, and I am informed that the Department for Business and Trade ('DBT') is unable to locate any record of the meeting. I recall that the visitors brought a list of subpostmasters and a photo album of subpostmasters who had recently been questionably charged or convicted of fraud or otherwise lost their post offices (around 100 as I recall). I remember a discussion around POL's harsh 'one strike and you're out' policy – an issue I had raised in Parliament 15 years earlier as a constituency MP. I recall some discussion of the postmasters who believed they were falsely charged or dispossessed. I don't recall any discussion of the Horizon system – and especially given the presence of the representative of the NFSP (who I later discovered did not consider Horizon to be a problem) I am confident that it was not raised.

44. After the meeting I recall asking civil servants to investigate whether the number of charges were abnormal for a retail franchise network – apparently not (so I was told). I also recall that officials strongly advised against pursuing individual cases currently subject to legal proceedings.

45. And I subsequently reported the conversation to the Post Minister at the time, who I think was Jo Swinson. She reassured me that a ‘forensic accountant’ was to investigate the claims. My understanding was that this was essentially an open-minded review of the accounts of postmasters who had lost their post offices or been charged with fraud to understand if there were discrepancies in the accounts and where these had come from. I am confident the IT aspect wasn’t highlighted.

46. I am told that on 8 July 2013 the Second Sight interim report was published; I was not aware of this report or its contents at the time (POL00099063 Signed Interim Report into alleged problems with the Horizon system). I have been shown by the Inquiry an exchange between ShEx and Jo Swinson’s Private Office relating to her statement in Parliament the following day (UKGI00041996 Email from Secretary to Jo Swinson MP to Parly Unit - Others cc Will Gibson, Mike Whitehead and others RE: Post Office - Oral Statement). I can see that my Private Office was copied into this exchange, but they would not have shown it to me, and I was not involved in the preparation for the ministerial statement, which would have been dealt with by Jo Swinson and her team. As I have

explained above, I was not typically informed of ministerial statements, which happened very regularly, and I was not aware of this one.

47. On 11 July 2013, Jo Swinson and I attended a meeting with POL to discuss its strategic plan. In advance of that meeting, our Private Offices received a written briefing from Tim McInnes of ShEx dated 10 July 2013 (UKGI00019383 Meeting with Post Office Ltd (“POL”) on its strategic Plan 12:00-12:45 Thursday 11 July 2013). According to the briefing, Alice Perkins (POL Chair), Paul Vennells (POL CEO), Sue Barton (POL Strategy Director) and Martin Edwards (POL Chief of Staff to Paula Vennells) were due to attend, together with Mr McInnes and other ShEx officials. The briefing did not touch on Horizon matters. However, a covering email (UKGI00001834 Email from Tim McInnes to Vince Cable and Swinson Briefing for Post Office Meeting [11th July @ 12:00] dated 10 July 2013) sent from Tim McInnes to my Private Office (and Jo Swinson’s) stated:

“Post Office is acutely aware that SoS / Jo might also want to talk about the Second Sight report into POL’s Horizon computer system that was published earlier in the week, and the impact that this has had on a small number of subpostmasters. This remains a key focus area for POL however they would like to focus Thursday’s meeting on their new strategy and plans for transforming the post office network. Should SoS / Jo want to talk about the Second Sight report POL will be more than happy to meet at a time that is convenient to cover it in detail.”

48. I have no recollection of being informed of the contents of this email, and it is very unlikely that I would have been. It involves a level of detail that I would not have been involved in. Detailed issues of this sort were for the junior minister to raise – they were across the detail, and I would have deferred to them if it came up in a meeting.
49. I do not recall the briefing either. Briefings generally followed a similar structure, with headline points at the top followed by a series of points of detail. Briefings were generally placed in my red box so I could read them overnight. If I had an easy night, I would sit up reading them. If I had a heavy evening, for example speaking in Parliament or at a meeting or dealing with priority issues, I would generally just skim the briefing before the meetings so I had the headline issues. If officials or ministers considered that a point was sufficiently important that it needed to be on my radar, they would have known to bring it clearly to my attention – it would (or should) not be hidden amongst the points of detail in a briefing.
50. I understand DBT has been unable to locate any note of the meeting of 11 July. I had roughly annual meetings with the POL CEO and Chair (together), following the separation of the Post Office from the Royal Mail. Such meetings were necessarily general and, essentially, a courtesy call covering all aspects of policy and performance. But I do recall, at what I believe was my first meeting with Alice Perkins and Paula Vennells, a spirited discussion when I raised the treatment of postmasters – based on my experience as a constituency MP, and not based on anything I had been told as Secretary of State. I believe this was probably the 11

July 2013 meeting – and certainly before my meeting with Andrew Bridgen MP and the NFSP representative. They reminded me that my responsibilities did not cover operational matters and that management took seriously its obligation to safeguard taxpayers' money. I asked them to familiarise themselves with the 1999 adjournment debate, in which I had set out my thoughts on the Post Office and its management. As far as I recall, neither Horizon nor the Second Sight report was raised in this meeting. If it was, it was not raised in a way which suggested I needed to take a close interest.

51. On 5 March 2014, Jenny Willott and I had a meeting with Alice Perkins and Paula Vennells, the purpose of which was described as being “*for them to update you on progress to deliver the strategic plan that was agreed last year, and to raise any other current issues*” (BEIS0000009 Briefing Note from Peter Batten to Secretary of State and Jenny Willott re Briefing for meeting with Post Office Ltd Chair and CEO). This was, I believe, our second annual meeting. In advance of that meeting our Private Offices received a written briefing from Peter Batten (who I understand was a ShEx official) (BEIS0000009).

52. Under the heading “*Issus POL may raise*”, one matter was “*The integrity of POL’s ‘Horizon’ accounting software*”. The briefing stated:

“*15. All in-branch transactions performed by subpostmasters and POL staff are recorded by POL's accounting software, known as 'Horizon'. Shortly after joining POL and in response to low-level but persistent grumblings by a small*

number of former subpostmasters, Alice commissioned a review of the integrity of the Horizon system. An independent report, published in July 2013 found there were "no systemic" issues with the software, but made recommendations about POL's processes for handling financial irregularities in subpostmaster accounts.

16. Following the report, POL has worked with a group representing the former subpostmasters and the report's author (a small firm of forensic accountants called Second Sight) to establish a working group under an independent Chair that has set up a mediation process for former subpostmasters who feel wronged by the Horizon system. The working group has received 147 submissions, but has not yet agreed its terms of reference. POL may choose to raise this with you; however you should avoid being drawn on the matter at this stage as HMG involvement risks the independence of the working group, and involves Ministers in an operational matter. Further specific advice will be submitted to you shortly."

53. I have explained my approach to briefings above. I certainly don't recall reading this, though I may have. If I did, it certainly did not set off any alarm bells. Reading it now, it says two things to me: 1. There was nothing wrong with the software. 2. This was an operational matter and so not something for ministers to get involved in – and if anything for the junior minister not the Secretary of State. So this was not something that would have made me sit up and pay close attention.

54. I recall nothing whatever of the meeting itself and I understand DBT has been unable to locate any record of it. These were routine meetings and the issue I was interested in, at my level, was POL's progress on the strategic plan, which was important to Government and into which we had poured a lot of public money. At these sorts of meetings, the junior minister rather than me would do most of the talking because they were across the subject. It is fair to say that if Horizon was raised at the meeting – I simply do not remember whether it was or was not – it did not grasp my attention as something I needed to focus on. It would have been raised in a normal routine business kind of way – this was not an issue that others were highlighting to me as something I needed to become involved in, and I would have deferred to the Post Minister, Jenny Willott, if any such issues were raised.
55. On 27 March 2014, Jenny Willott and I attended an introductory meeting with George Thomson, General Secretary of the NFSP. In advance of the meeting our Private Offices received a written briefing from Peter Batten (UKGI00013754 Briefing for meeting with National Federation of Subpostmasters – Thursday 27 March). The briefing covered a range of issues, including "*The integrity of POL's 'Horizon' accounting software*". The information provided on Horizon was identical to that contained in the briefing for the 5 March 2014 meeting described above. Again, I have no recollection of this briefing. If I read it, I certainly would not have understood it to be flagging a new and important issue for me to become involved in.

56. I understand DBT has been unable to locate any record of the meeting itself, and I do not recall it. Given the NFSP's views about Horizon, I think it is unlikely to have been raised – and if it was, it would not have been discussed in terms which would have caused me to take notice of it as an issue for me to deal with.
57. I am informed that there was a Westminster Hall debate on 17 December 2014 addressing Horizon issues, which Jo Swinson took as the Post Minister. I was not aware of this at the time. I would only have known if she had chosen to tell me (wanting help), or if Whips' Office or other MPs had told me she was struggling and in trouble – which they didn't. I have explained that Westminster Hall debates were regular and low key events which junior ministers would handle without my knowledge or input. This was not some major drama which gripped the department.
58. On 11 March 2015, James Arbuthnot MP asked a question of the Prime Minister in Prime Minister's Questions (PMQs) (RLIT0000223 House of Commons Hansard Debates for 11 March 2015):

“Is my right hon. Friend aware that in connection with the Post Office mediation scheme, the Post Office has just sacked the independent investigator, Second Sight, and told it to destroy all its papers? Does he agree that it is essential that Second Sight's second report should not be suppressed, but should be supplied to sub-postmasters and MPs, starting with the hon. Member for West Bromwich West (Mr Bailey) and the Business, Innovation and Skills Select Committee?”

59. The Prime Minister answered:

“My right hon. Friend makes an important point. I know that he has consistently raised the concerns of some sub-postmasters about the operation of the Post Office IT system and the matter of the Post Office mediation scheme. The Business Committee is currently taking evidence on this issue, and it should be given all the relevant information. The Government should not interfere with the independent mediation process, but I will ask the Business Secretary to write to my right hon. Friend about his concern and to ensure that the Business Committee can do its job properly.”

60. Almost certainly I wasn't there (usually only a minority of Cabinet ministers were in the chamber at PMQs). I remember that at the time I was immersed in the last major crisis in my period as Secretary of State: I was trying to use my powers to block the export of arms being used to bomb civilians in Yemen. There was fierce argument amongst ministers and complex legal and business issues involved.

61. On the same day as PMQs (11 March 2015), James Arbuthnot wrote to me (UKGI00003781 Letter from James Arbuthnot to Vince Cable MP, re Post Office Mediation Scheme) (via my Private Office) in the following terms:

“In Prime Minister's Questions today the Prime Minister told me that he would ask you to write to me about the Post Office Mediation Scheme. While there are many things that are very worrying about it, what particularly concerns me is that the Post Office has recently been refusing to give to Second Sight the

documents and information that Second Sight feel they need in order to determine whether a miscarriage of justice has occurred. I believe that the only legal folder, for example, that Second Sight has seen is that relating to my constituent Jo Hamilton - but that folder did show that there was no evidence (as the Post Office knew at the time) of theft. Yet the Post Office charged her with theft. And as a result she then pleaded guilty to false accounting, having untruthfully been told that she was the only person going through these difficulties.

That suggests to me that there is more disclosure of documents that need to take place, and that our constituents will never believe that the truth has been reached without that disclosure. Equally, that disclosure needs to be made to Second Sight, who have now built up the expertise to deal with it."

62. In an email timed at 12:27 on 11 March 2015 (UKGI00003733 Email thread from Cable MPST to Laura Thompson, Swinson MPST, cc Hannah Franklin-Wallis and others RE: PMQs today), Laura Thompson (who I understand was an official in ShEx) emailed my Private Office referring to the exchange between James Arbuthnot and the Prime Minister, before adding:

"Separately as you know, we are preparing a reply for Jo Swinson to send to Alan Bates, head of the Justice for Subpostmasters Alliance (JFSA), on similar points. I recommend these two letters (Jo to Mr Bates, and SoS to Mr Arbuthnot)

should be very similar. I will aim to provide a response for today's box for both Ministers, if that sounds OK.

Tara, can you advise on how sighted (if at all) SoS is on this issue? I am happy to provide some additional briefing or discuss with him if that would be helpful."

63. This indicates that Laura Thompson doubted – rightly – that I was aware of (“*sighted on*”) the issues relating to Horizon, and understood – rightly – that this was a major issue I needed to be engaged with.

64. Very shortly thereafter (at 12:40), my Private Office replied to Laura Thompson in the following terms (UKGI00003733):

“Your approach sounds great, thank you.

SoS is not massively aware of the issue - he knows what the situation is in very headline terms, but you've correctly assessed that this is not something he is all over the detail of. If you have some quite headline, background briefing on the issue it would be very useful for SoS to see - but I wouldn't want you to have to re-invent the wheel.”

65. I should address the suggestion that I knew what the situation was “*in very headline terms*”. I have explained above that, though I do not recall it, it is possible that I had a vague awareness that this was an issue that the junior

minister was dealing with. But before this time no-one had given me the slightest indication that this was one of those issues that was too big or too difficult for the junior minister to deal with. Certainly I was not "*all over the detail*".

66. The following morning (12 March 2015), my Private Office forwarded James Arbuthnot's letter to Jo Swinson's Private Office (UKGI00003780 Email from Cable MPST (Claire) to Laura Thompson, Swinson MPST RE: Letter from Rt Hon James Arbuthnot MP - PMQs/Post Office).

67. On 16 March 2015 at 1:18pm, Laura Thompson emailed my Private Office (UKGI00003876 Email from Laura Thompson to MPST Cable, MPST Correspondence cc MPST Swinson and others re Revised letter to James Arbuthnot MP) attaching a revised draft (UKGI00003877 Draft letter from Vince Cable to James Arbuthnot MP re Post Office Mediation Scheme) and stating:

"As I think Claire has already flagged to you, we have now spoken to Jo about the letter to James Arbuthnot MP regarding the Post Office Horizon system.

Please find attached a revised version which includes Jo's changes, plus the additional paragraph of information I sent up on Friday. I attach a clean version ready to be formatted, and one with the tracks showing so you can draw SoS' attention to the changes.

It would be good if this letter can go out ASAP, please. Note that the letter is to be copied to the PM, DPM and Adrian Bailey MP.

For your information, we are also revising slightly the letter from Jo Swinson to Mr Alan Bates to address a specific point he raised - we plan to issue that in the next day or so (I am waiting for some clarification from Post Office)."

68. My first knowledge of this was when an official – I think from the Private Office – came to me and told me I needed to sign a letter urgently, there was an important issue and the PM was involved. This must have been on 16 March. It was the first time anyone in BIS had raised Horizon as a serious issue which needed my attention.
69. I read James Arbuthnot's letter (UKGI00003781). Prior to this I did not know that James Arbuthnot was involved. He was a courteous and quiet backbencher but with whom I had never had any dealings. I was almost certainly not in the chamber when he asked his PMQ (only a few cabinet ministers would typically attend). Nor had I registered that he had held an adjournment debate. These were an important mechanism for backbenchers to engage the attention of (junior) ministers but were frequent, low profile, events (roughly 15 per week). There was, to my knowledge, no mainstream media interest. Recent coverage of the Post Office scandal may have given the impression that these were dramatic parliamentary events but, in reality, they were part of routine

parliamentary business. There was no particular reason to be alert to the issue at the time.

70. The reference to Mr Bates in the letter was the first time I had been told of him.
71. I declined to sign the letter. I thought the tone was dismissive. I also wanted assurances that postmasters shared POL managers' and officials' confidence in the Horizon system. I wanted to know the views of the NFSP as the postmasters' representative body. I had dealt with the Federation over many years and had confidence in them. They had always been responsible, efficient and professional. I said to officials I would sign the letter only if they were able to persuade me that the Federation didn't have a problem with Horizon.
72. At 3.04pm the same day (16 March 2015), Laura Thompson emailed my Private Office (UKGI00003886 Email from Laura Thompson to Vince Cable RE: RE: Revised letter to James Arbuthnot MP), attaching a revised draft (UKGI00003887 Letter from Vince Cable to James Arbuthnot MP re Post Office Mediation Scheme), saying:

"Further to our conversation just now, here is a revised letter based on the feedback from SoS. I hope it addresses his concerns around tone.

I thought it would be helpful to provide a few additional bits of information for SoS:

Firstly, he referred to the National Federation. The NFSP are strongly supportive of Post Office's position on this matter - that there are no systemic issues with Horizon. George Thomson, General Secretary of the NFSP, gave some robust evidence to the BIS Select Committee on this issue, going so far as to suggest that a number of cases in the scheme had been making false allegations against Post Office.

The organisation working with Mr Arbuthnot are the Justice for Subpostmasters Alliance (JFSA) - a small group of perhaps 20-30 members, mostly former subpostmasters, led by Mr Alan Bates, himself a former subpostmaster with a case in the scheme. They are not affiliated to the NFSP.

It is also worth reiterating that, having re-investigated all 136 cases in the scheme thoroughly, including those which resulted in criminal convictions, Post Office have found no evidence that would suggest any convictions were unsafe. They have a duty to share any information of this nature if it arises with the individual and their legal advisor – but this has not been the case in any case within the scheme (or indeed those raised outside of the scheme).

I am happy to provide any additional information that would be helpful to SoS."

73. This was categorical assurance that the Federation, representing thousands of subpostmasters, did not have a problem with Horizon, and only a relatively small number of subpostmasters did. I trusted completely the information I was given,

and the Federation's judgment. I had no serious basis to doubt what I was being told.

74. I have been shown an email indicating that, having received a revised draft, I did not accept my Private Office's advice that I should approve the revised draft of the letter without reading it, but asked for it to be placed in my overnight box to ensure I was content with it (UKGI00003888 Email from Laura Thompson to Richard Callard CC Tim McInnes re Revised letter to James Arbuthnot MP dated 16 March 2015). Having received the assurances from officials and having checked overnight that the tone was no longer dismissive, I endorsed the department's draft. I do not believe I had a good reason to reject it again. I understand it was sent on the afternoon of 17 March 2015 (UKGI00003910 Letter from Vince Cable to James Arbuthnot MP re Post Office Mediation Scheme, UKGI00003909). It was a reasonably lengthy letter which addressed, amongst other things, the issues James Arbuthnot raised in his question to the Prime Minister and his letter to me.

75. I am aware that Lord Arbuthnot has stated in evidence to the Inquiry that the letter I signed was "*to all intents and purposes pointless*" (please see Lord Arbuthnot's witness statement (WITN00020100) at paragraph 259 (p. 144)). I do not agree that it was pointless. It was a statement of the Government's position, and addressed the points he had raised in PMQs and in his letter to me. But it was certainly wrong - it reflected the departmental view (and that of the Federation) which we know in retrospect was wrong.

76. Also on 17 March 2015, my Private Office received a letter from Adrian Bailey MP, chair of the BIS Select Committee dated 17 March 2015 (UKGI00003895 Letter from MP Adrian Bailey to Rt Hon Vince Cable Re: Post Office Mediation Scheme). The letter was forwarded to Jo Swinson's Private Office and to Laura Thompson (UKGI00003894 Email from Tara Fernando to Swinson MPST, Laura Thompson, CCing Richard Callard and others re: Letter to the Secretary of State on Post Office mediation). To a large extent, the letter addressed similar issues as addressed in my letter to James Arbuthnot.
77. On 18 March 2015 (UKGI00019736 Email from Laura Thompson to MPST Cable, MPST Swinson cc, MPST Hancock and others Re: Post Office mediation: response to letter from BIS Select Committee), my and Jo Swinson's Private Office were provided with the letter (UKGI00019739, Letter from Adrian Bailey MP to Vince Cable dated 17 March 2015), together with a written briefing from Laura Thompson (UKGI00019737 Post Office mediation: reply to BIS Select Committee 18 March 2015) and a draft response she had prepared (UKGI00019738 Draft Letter to Adrian Bailey from Vince Cable dated March 2015).
78. I have seen an email dated 20 March 2015 (UKGI00004006 Email from Cable MPST to MPST Central Admin, Parly Unit – Others FW: Post Office mediation: response to letter from BIS Select Committee) which indicates that Jo Swinson reviewed the draft response and was happy with it, but resisted the suggestion contained in the draft that it would be inappropriate for the Government to receive

a copy of Second Sight's final report. Laura Thompson responded with strong advice that the Government should not receive a copy of the report. Jo Swinson rejected that advice (UKGI00004006), and it is evident from paragraph 4.5 of the annex to the response to this letter (POL00039281 Letter from Vince Cable to Adrian Bailey re Post Office Mediation Scheme) [684] that the Government agreed it should receive a copy. Jo Swinson agreed a final draft of the response on 24 March 2015 (UKGI00004006), and based on the assurances I had received I agreed to sign it (POL00039281).

79. On 15 April 2015, my Private Office was copied into an email from Laura Thompson to the BIS communications team concerning the imminent publication of the Second Sight second report (UKGI00004193 Email chain from Cable MPST to Laura Thompson, Hannah Franklin-Wallis, Ashley Rogers and others RE: Update on Post Office Horizon issue). It essentially said that the report was about to be published, POL considered it to be of poor quality and had prepared a response, that the report would be provided to BIS in line with my response to the BIS Select Committee, and that there may be some media interest. My Private Office responded to say that I had noted the contents of the email and was grateful for the update. By this time, Parliament had dissolved and preparations were under way for the general election. As such, whilst I was still the Secretary of State, I was unable to take non-urgent decisions.

SECTION 3: THE RULE 9 REQUEST

80. I set out below my answers to questions posed in the Rule 9 request, in the order in which they are raised and adopting the headings in the Rule 9 request, where not addressed in the sections above.

Background

81. I am asked to provide a brief summary of my professional career following my time as Secretary of State. At the 2015 general election, I lost my seat as the Member of Parliament for Twickenham. I was re-elected in the general election on 8 June 2017 and served as leader of the Liberal Democrats from 20 July 2017 to 22 July 2019. I retired as a Member of Parliament at the November 2019 general election.

82. After retirement I have been a Visiting Professor at the London School of Economics, have written several books (on the Financial Crisis, China and politics), am the Vice President of European Movement UK, and have acted as director of several companies including Element 2, the hydrogen infrastructure company.

Knowledge of the Horizon IT System

83. I am asked to set out my knowledge and understanding of the following matters when I was first appointed Secretary of State:

- (a) the Horizon IT system, including its integrity and remote access;
- (b) complaints made by SPMs as to the integrity of the Horizon IT system;
- (c) that Royal Mail Group, or companies within it, had investigated, prosecuted and obtained convictions of SPMs for theft, fraud and false accounting; and

(d) who within the Royal Mail Group or POL was responsible for (a) the investigation of those alleged offences (b) the decision on whether to prosecute those matters and (c) the conduct of those prosecutions.

84. I had no knowledge of (a), (b) or (d).

85. I knew about (c) because of my role as a constituency MP, but I did not know it was Royal Mail, rather than the CPS, who prosecuted the subpostmasters – that distinction has only emerged recently. I assumed in any event that the criminal justice system could be relied on, but of course I was unaware of the various failures of disclosure and other abuses that have now been revealed to have taken place during the course of these criminal prosecutions.

Oversight of POL

86. I have been asked to describe my responsibilities and portfolio as Secretary of State. As I have explained above, these were very wide-ranging.

87. Specifically in relation to the Post Office, I have explained that I had a particular interest in network transformation, helping POL to develop its business, and trying to rebalance the relationship between POL and postmasters.

88. But it is important to correct the perception that the Government was involved in running or overseeing the Post Office. It wasn't. The role of the Government was strategic. Initially this involved putting in place the structure and finances to

rescue POL and enable it to arrest and reverse its continuing decline – that was the whole point of the transformation programme – so as to further the Post Office’s important social purpose and safeguard it for the future. And secondarily our policy objectives were to rebalance the relationship between POL and subpostmasters. Our principal levers were financial and legislative.

89. Operational matters were the responsibility of POL, as overseen by its board of directors. The role of the Post Office board is crucial. We tried to ensure that there were proper management and governance structures in place, and on this we were advised by officials in ShEx with the right expertise. With the benefit of hindsight and knowing now of the Board’s failure to carry out effectively its oversight responsibilities, I wish I had reflected more, at the time, on the subject of Post Office governance. But I had no reason, then, to doubt its effectiveness or to reject the Department’s recommendation to appoint the Chair.

90. It is also important to recognise that there were good reasons why POL was operationally independent of Government – in just the same way that there are good reasons why ministers and civil servants do not run or oversee the management of hospitals or schools. But there reaches a stage where operational matters become strategic or systemic – where Government can and possibly should intervene. It was clear that in my period in office the operational failures were sufficiently widespread and serious as to justify Government intervention. But these were not identified or recognised within the Government. The reason, so far as I can tell, was that officials in ShEx were misinformed or lied to by their counterparts in the Post Office.

91. At the end of my tenure as Secretary of State, I believed we had had one big success and one big failure in relation to the Post Office. The big success was network transformation. I – and the Government – had a particular interest in network transformation. During my time in Parliament, there was intense political interest in the future of the Post Office network. As a constituency MP I frequently did visits around the country and was almost invariably taken to the local Post Office – these were an immensely valued and valuable community asset. But the network was trapped in a seemingly inexorable cycle of decline, and our objective was to arrest that decline. This was a business to be developed and supported in the public interest. Remarkably, we managed to obtain additional funding for the Post Office to out towards network transformation at a time of painful cuts in state spending. And the transformation programme has largely worked.
92. Before I came into government, I think I had had 8 closures in my constituency. And for a period – several months – Post Office closures around the country was the main thing I was dealing with. I organised and collected numerous petitions against branch closures, which were sent to POL and summarily rejected. Usually postmasters did not want to become involved, because they were afraid of the consequences. When we came into government, Ed Davey and I agreed based on our experience as constituency MPs that POL middle management were, as I described in my 1999 debate, 'authoritarian'. Mr. Bates has, I believe, described them as 'thugs in suits' and I recognise the description. And POL dealt with us in an arrogant way when we campaigned against closures.

93. I was also clear that there was an imbalance between POL and subpostmasters – in economic terms, a monopsony – and we wanted to correct this, as we did for farmers and supermarkets, and pubs and pub companies. I had argued in Parliament that a good way to correct the imbalance would be to establish an independent appeals/arbitration mechanism in cases of contract termination. When in government, we were attracted to an alternative and more radical idea, which I believe originated with the Federation, to turn the Post Office into a mutual with the postmasters having greater control. But these efforts ultimately fizzled out: negotiations between the Federation and POL dragged on, and I was told that the Treasury was unenthusiastic about the potentially weak financial controls implicit in an organisation of that nature, involving an important social purpose and substantial sums of public money. I regret that we were unable to deliver mutualisation.
94. I have been asked to describe “*the Government’s interest in POL*” during my time as Minister.
95. As I explain above, the Government’s interest in POL was strategic. The Post Office has an important social function and the Government wanted to support it to develop in the public interest. It invested substantial sums of public money, at a time of tightened fiscal spending, in supporting POL through network transformation.

96. I, and the Government, had a particular interest in network transformation, helping POL to develop its business, and rebalancing the relationship between POL and subpostmasters. I was, for example, involved in finding ways for Post Offices to offer banking facilities for local communities when the major banks moved out.
97. The Government also had a strong financial interest in protecting its investment.
98. I have been asked to set out what my views are and, if they have changed, were on the following matters:
- (a) the nature and extent of any responsibilities DBT had for the operations of Royal Mail Group and POL arising from its position as a shareholder;
 - (b) the nature and extent of any responsibilities DBT had for the operations of Royal Mail Group and POL arising from its position as a government department;
 - (c) the nature and extent of any role that I should have taken in overseeing the operations of Royal Mail Group and POL.
99. There is an active public debate about whether shareholders should be interested in maximising shareholder value (or returns on investment), or to promote a social purpose.
100. It is very clear that the Government was most interested in the social purpose aspect of the Post Office – a social responsibility for maintaining and improving the network in the public interest, because of its major social value.

101. It is irrelevant whether this came about through the prism of the Government as POL's sole shareholder or of the Government as the Government – and I never analysed it in those terms. In reality, the Government was and is POL's sole shareholder because it wants to support it in the public interest.

102. But this social responsibility is intangible. I do not understand that the Government has any relevant legal or operational obligations in relation to POL.

103. I saw oversight in terms of setting the structure and the high-level strategy from a policy perspective. I would not have been focused on corporate governance issues within POL – these were again not matters which were brought to my attention as something I needed to spend time thinking about. But if I were to think about it now, it was a failure of government to allow any failure of governance within POL to continue. In retrospect it is clear that the POL Board failed in its duty of oversight. I only wish that someone had alerted me (and my ministers) to this failure at the time.

104. I have been asked to what extent, if at all, a Secretary of State is responsible and / or accountable for oversight of the following operations of a company that he or she owns and / or seeing that they are carried out lawfully and appropriately:

- (a) the bringing of any private prosecutions; or
- (b) compliance with post-conviction duties of disclosure to persons convicted following prosecutions brought by the company.

and

Which, if any, of these roles and responsibilities were delegated in whole or part to civil servants within DBT or ShEx.

105. This is an abstract question that legal theorists would be better placed to answer.

106. On a practical level, I hadn't the faintest idea that this was happening. And there is a bigger question, extending beyond the Post Office, about whether commercial bodies owned by the state should bring private prosecutions – but this is a question I am not well placed to answer.

107. I have been asked to describe the mechanisms for reporting, feedback and the provision of information relating to POL's strategy and / or operations to me as the Secretary of State; and how I satisfied myself that I was receiving a full and accurate account of POL's operations and strategy.

108. POL's operations were not a ministerial matter, and therefore there was no feedback mechanism so far as I was aware.

109. On strategy, the feedback mechanism was through junior ministers via officials and very occasional meetings with the POL CEO and Chair.

110. But the line between operational and strategic may not always be clear. There reaches a stage where operational matters cross into strategic issues justifying the involvement of the Government. It is clear that in my period in office the operational failures were not identified or recognised as systemic, or engaging

strategy. The reason, so far as I can tell, was that officials in ShEx were misinformed or lied to by their counterparts in the Post Office.

111. I have been asked to what extent I, or civil servants within my area of responsibility, monitored ShEx's oversight of POL.

112. My understanding of the governance of the Post Office was that it was overseen by a Board whose Chair I met very occasionally, always in the company of the CEO, and that there was a BIS official on the Board. It would have been normal to have a ShEx official in that kind of role but I would have no reason to enquire as to which official was involved.

113. My understanding was that ShEx were departmental officials who, like other civil servants, reported through line managers to the Permanent Secretary. But it was clear that because of their financial expertise and responsibility for managing public assets, ShEx would have also had a close relationship with the Treasury. There is no reason why ministers should have been aware of, or wanted to interfere with, administrative constructs within the civil service.

114. I thought of ShEx as clever, smart, commercially-savvy people. The head was Stephen Lovegrove – now the National Security Advisor – and I remember him being referred to as a big star in the department.

115. I have been asked to explain the background to the Government's position that operational and / or contractual matters were a matter for POL and not government, and to explain the basis for that position.

116. My understanding of this was essentially as described in the 21 July 1999 adjournment debate (RLIT0000221) I summarise above (in paragraph 12): *Since the Post Office was established as a public corporation in 1969 [by the Post Office Act 1969], it has been the policy of successive Governments that decisions relating to the day-to-day running of the postal businesses, such as the contractual terms and the arrangements between sub-postmasters and Post Office Counters Ltd., are the operational responsibility of the Post Office Board and management. The Government's role in Post Office matters is confined to broad issues of general policy and to overall financial control. With a network of some 18,000 sub-post offices, it would be inappropriate and impractical for Government or Ministers to become involved in decisions or disputes relating to individual offices.*

Before government

117. I have been asked to describe the extent to which, if at all, I dealt with any issues relating to the design, pilot and roll out of the Horizon IT System or other matters relevant to the Inquiry's Terms of Reference whilst I was Shadow Secretary of State for Trade & Industry.

118. From 1999 to 2003, I was the Liberal Democrat Trade and Industry spokesman (I have never been the Shadow Secretary of State for Trade and Industry). I was extensively involved in issues relating to post office closures, and I remember Alan Johnson introducing Horizon as a system which would help the Post Office become more robust and efficient. When I was a backbencher, there were continuing debates about government IT systems (the NHS and Inland Revenue systems were complete disasters) so there was a certain amount of scepticism about this new IT system, but we had no information indicating that this one didn't or wouldn't work.

My time as the Secretary of State

119. I have been asked to set out what I was told about, my knowledge of and any involvement I had with decision making in respect of (a) POL's review of criminal convictions of SPMs implemented in or around July 2013 and (b) the CCRC's involvement. I had no knowledge of POL's review of criminal convictions or of the Criminal Cases Review Commission's involvement.

120. I have been asked to describe what, if any, briefing(s) I received on the Horizon IT System and related complaints by SPMs when I became the Secretary of State. I had no briefings on this when I became Secretary of State.

121. I have been asked to consider POLB12/55(c) on page 5 of the Minutes of the of the Board of Directors held at 148 Old Street, London EC1V 9HQ on 18 April 2012 (POL00021506) and to explain to what extent, if at all, I discussed with

Alice Perkins matters related to the Horizon IT system or the prosecution of SPMs.

122. The Minutes of the of the Board of Directors held at 148 Old Street, London EC1V 9HQ on 18 April 2012 (POL00021506) is the minutes of a POL board meeting on 18 April 2012. Under “Any other business” it records, at POLB12/55(c), that *“The Chairman reported attending a meeting called by Vince Cable and Chaired by Lord Green focusing on small and medium enterprises and driving growth.”* The POL Chair at this time was Alice Perkins. Lord Green was Minister of State for Trade and Investment. I understand that DBT has been unable to locate any record of this meeting. I would not have been present at a meeting chaired by a junior minister.
123. I have been asked to describe what my views were when I read or were briefed on the Second Sight Interim Report.
124. I didn't read and wasn't briefed on this report to the best of my recollection. This was dealt with at the level of the junior minister and wasn't escalated to me. It is possible – I do not recall – that she mentioned it in the course of our conversations, but not in a way that highlighted any problems for me to concern myself with.
125. I have been asked to describe the nature and extent of any involvement I had in the decision making to launch the Mediation Scheme, including what I was told

about (a) the nature and purpose of the Mediation Scheme and (b) POL's intentions in respect of financial compensation to SPMs.

126. I had no involvement in the decision to launch a mediation scheme, though it is at least possible that they drew on the views I expressed in Parliament in July 1999 advocating for such an arrangement. I do not recall ever being told about a mediation scheme or financial compensation; if I was, these were not highlighted to me in a way that suggested I needed to become involved.

127. I have been asked to describe my knowledge and understanding of the existence, content or gist of the following documents while I was Secretary of State:

- (a) Simon Clarke's advice of 15 July 2013 (see POL00006357);
- (b) Simon Clarke's advice of 2 August 2013 (see POL00129453); and
- (c) Deloitte's Project Zebra reports (see POL00028069).

128. I had no knowledge of these documents or their contents. It is not remotely likely that they would have been escalated to me.

129. I have been asked to describe my meeting with Alice Perkins and Paula Vennells on 4 March 2014, and to address the following points:

- (a) Whether I accepted the advice in the briefing at paragraph 16 of the briefing note dated 4 March 2014 from Peter Batten, a ShEx official, to me and Jenny Willott, in advance of a meeting with Alice Perkins and Paula

Vennells (and Richard Callard, of ShEx) on 5 March 2014 (BEIS0000009) that “you should avoid being drawn on the matter at this stage as HMG involvement risks the independence of the working group, and involves Ministers in an operational matter”; and

- (b) The extent to which, if at all, I discussed matters relating to the Horizon IT System on 4 March 2014?

130. BEIS0000009 is a briefing note dated 4 March 2014 from Peter Batten, a ShEx official, to me and Jenny Willott, in advance of a meeting with Alice Perkins and Paula Vennells (and Richard Callard, of ShEx) on 5 March 2014. I have addressed this meeting at paragraphs 51 to 54 above. If I read this briefing in full, I would probably have seen this sort of advice as reflecting what I understood of POL’s operational independence from government. I do not recall whether Horizon was raised in this meeting, but had it been I would have asked the minister to reply, and I expect she would have followed the advice in the briefing. Certainly it was not raised in a way that indicated to me that this was an issue I needed to take a close interest in.

131. I have been asked to explain the purpose of the Department for Business Innovation & Skills Information Booklet and to explain why at pages 130-131 being pressed about the Second Sight review described as an “*elephant trap*” (UKGI00002922),

132. This undated document, and a revised version dated 26 June 2014 (UKGI00017390), is a “Ministerial topical briefing pack”. As I have explained above, these packs give a sense of the scope of my portfolio as Secretary of State. The 26 June 2014 version ran to 193 pages. A small part of the briefing (at pages 188-191) deals with matters related to POL. Under the heading of ‘*Elephant Trap*’, it stated:

- “- *An independent report, published in July 2013, explicitly confirms that there is “no evidence of system-wide problems with the Horizon software”. Horizon successfully handles six million customer transactions every day, and tens of billions since its national rollout in 1999.*
- *The report makes no comment about the safety or otherwise of any conviction of a subpostmaster for fraud, theft or false accounting.*
- *A review and mediation scheme, overseen by an independent Chair, has been established to address subpostmasters’ concerns in individual cases.”*

133. These packs were prepared and placed on a shelf in ministers’ offices, I think to be helpful so that ministers could dip in to brief themselves on topical issues as they arose, by reference to the contents pages at the start. These were substantial packs – as I say, the version dated 26 June 2014 ran to 193 pages – and were definitely not to be read from cover to cover. I did not read the pages referring to POL.

134. I did not prepare this document, and the words "*elephant trap*" were not mine. The expression "*elephant trap*" was common civil service jargon used to describe tricky issues which required care. I did not understand the expression to mean problems to be avoided, and am sure the expression was not used in that sense. There were around fifty such "*elephant trap*" headings in the June 2014 revision.
135. I have been asked to explain the nature and extent of my involvement in drafting the letter to James Arbuthnot on 17 March 2015 (see UKGI00003910), and what "*specific things*" I wanted to make sure were included in the letter (see UKGI00003888 Email from Laura Thompson to Richard Callard CC Tim McInnes re Revised letter to James Arbuthnot MP).
136. I have addressed the process by which this letter was prepared in paragraphs 61 to 75 above. Initially, a draft was prepared by Laura Thompson in ShEx. It then went through a process of revisions upon Jo Swinson's input. I was not happy with the tone and asked for further changes to be made. I asked for information about the Federation's position, and was given a categorical assurance that they did not have a problem with Horizon (UKGI00003909 Email from Sana Mirza Awan (MPST Cable) to MPST Cable, MPST Central Admin cc Richard Callard re Revised Letter to James Arbuthnot MP). I then reviewed it overnight before agreeing to sign it.

137. The words "*specific things*" are not mine. My guess is that they refer to me wanting to check that the tone was now appropriate and that the substance reflected the information I had been given by officials.

138. I have been asked to explain my views on the letter sent to me from MP Adrian Bailey Re Post Office Mediation Scheme were when I read it, and the steps I took or arranged to be taken to address the concerns raised in this letter (UKGI00003895).

139. UKGI00003895 is a letter from Adrian Bailey MP, chair of the BIS Select Committee, dated 17 March 2015 and addressed to me. I have explained at paragraphs 76 to 78 above the process by which a response was prepared and the categorical assurance I was given by officials.

SECTION FOUR: REFLECTIONS AND SUGGESTIONS

140. The POL board was, in retrospect, clearly a failure. I wish I had spent more time thinking about the role and constitution of the board and whether it was doing its job properly.

141. I should also have noticed that there was something wrong about Paula Vennells and Alice Perkins attending meetings together – where Alice Perkins was supposed to be supervising and independently scrutinising the POL executive team's performance.

142. On these issues, though, it is fair to ask whether it is really for a Secretary of State to be surfacing these issues, or for the officials in ShEx whose focus was POL.

143. My other big regret is that our efforts to rebalance the relationship between POL and postmasters failed. We went down the mutualisation route, but this proved too ambitious. We should instead have gone down the mediation and arbitration route, which may well have flushed out these issues earlier.

144. I have naturally reflected on what lessons can be learnt from the Post Office scandal. A few thoughts:

- (1) The relationship between the Post Office and postmasters was, and is, highly unequal. In comparable situations I promoted legislation establishing independent regulators to protect the weaker party in disputes (farmers and supermarkets; pubs and pub cos). In the case of the Post Office a different approach was tried - mutualisation - but for a variety of reasons it did not work. In future an independent regulator / arbitrator should be appointed.
- (2) A related point is that in the UK competition law is focused on distortion of competition resulting in detrimental impacts on consumers. It does not address market imbalances between large corporations and smaller sub-contractors or franchisees. Consideration should be given to addressing this.

- (3) The experience of Horizon has been that Post Office management and government officials and ministers did not understand the working and limitations of complex, advanced computer systems. There have been many other failures (as in the NHS). There is a case for government departments and entities like the Post Office to have a board-level Technology Officer who is legally responsible for validating the integrity of technology systems in the same way that the Permanent Secretary is Accounting Officer and company Chief Finance Officers are responsible for accounts.
- (4) There appears to have been a failure of governance in as much as the Board failed to identify a serious failure and alert ministers to it (no doubt the Inquiry will establish the facts). When government appoints members of supervisory boards of this kind it is important that members are aware that their primary duty is to protect the wider public interest. This may involve creating a bespoke corporate structure, with a specific legislative underpinning.
- (5) There will need to be a review of the precise role of government in relation to 'arm's length bodies' as in the status of Public Corporation under the 1969 Act. There is no appetite at any level for politicians to be micro-managing organisations like the Post Office (or hospitals, colleges and government laboratories). But an explicit mandate to deal with failing

organisations (as with schools, NHS Trusts and police forces) might be helpful.

Statement of truth

I believe the content of this statement to be true.

Signed:

GRO

Dated: _____

27 June 2024

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Column No.	URN	Document Description	<u>Control Number</u>
1	RLIT0000221	Post Office Counters Ltd Volume 335: debated on Wednesday 21 July 1999	RLIT0000221
2	UKGI00017390	'Department for Business, Innovation & Skills: Ministerial Topical Briefing Pack - June 2014	UKGI027397-001
3	UKGI00013863	Letter from Edward Davey to Norman Lamb MP re: response to letter re audit procedures and accusations levelled against sub postmasters - Mrs Henderson	UKGI024656-001
4	POL00294731	Norman Lamb's letter of 15 December 2010	POL-BSFF-0132781
5	UKGI00013690	Letter from Vince Cable to Rt Hon David Miliband MP re: Constitute Kevin Carter's Experiences as a Sub postmaster and POL's Independent Review of Cases	UKGI024483-001
6	POL00099063	Signed Interim Report into alleged problems with the Horizon system	POL-0098646
7	UKGI00041996	Email from Secretary to Jo Swinson MP to Parly Unit - Others cc Will Gibson, Mike Whitehead and others RE: Post Office - Oral Statement	UKGI050891-001
8	UKGI00019383	Meeting with Post Office Ltd ("POL") on its strategic Plan 12:00-12:45 Thursday 11 July 2013	UKGI028278-001
9	UKGI00001834	Email from Tim McInnes to Vince Cable and Swinson Briefing for Post Office Meeting [11th July @ 12:00]	UKGI012648-001

10	BEIS0000009	Briefing Note from Peter Batten to Secretary of State and Jenny Willott re Briefing for meeting with Post Office Ltd Chair and CEO	VIS00000903
11	UKGI00013754	Briefing for meeting with National Federation of Subpostmasters – Thursday 27 March	UKGI024547-001
12	RLIT0000223	House of Commons Hansard Debates for 11 Mar 2015	RLIT0000223
13	UKGI00003781	Letter from James Arbuthnot to Vince Cable MP, re Post Office Mediation Scheme	UKGI014595-001
14	UKGI00003733	Email thread from Cable MPST to Laura Thompson, Swinson MPST, cc Hannah Franklin-Wallis and others RE: PMQs today	UKGI014547-001
15	UKGI00003780	Email from Cable MPST to Laura Thompson, Swinson MPST RE: Letter from Rt Hon James Arbuthnot MP - PMQs/Post Office	UKGI014594-001
16.	UKGI00003876	Email from Laura Thompson to MPST Cable, MPST Correspondence cc MPST Swinson and others re Revised letter to James Arbuthnot MP	UKGI014690-001
17.	UKGI00003877	Draft letter from Vince Cable to James Arbuthnot MP re Post Office Mediation Scheme	UKGI014691-001
18	UKGI00003886	Email from Laura Thompson to Vince Cable RE: RE: Revised letter to James Arbuthnot MP	UKGI014700-001
19	UKGI00003887	Letter from Vince Cable to James Arbuhtnot MP	UKGI014701-001

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20	UKGI00003888	Email from Laura Thompson to Richard Callard CC Tim McInnes re Revised letter to James Arbuthnot MP	UKGI014702-001
21	UKGI00003910	Letter from Vince Cable to James Arbuthnot MP re Post Office Mediation Scheme	UKGI014724-001
22	UKGI00003909	Email from Sana Mirza Awan (MPST Cable) to MPST Cable, MPST Central Admin cc Richard Callard re Revised Letter to James Arbuthnot MP	UKGI014723-001
23	WITN00020100	Lord Arbuthnot's witness statement	WITN00020100
24	UKGI00003895	Letter from MP Adrian Bailey to Rt Hon Vince Cable Re: Post Office Mediation Scheme	UKGI014709-001
25	UKGI00003894	Email from Tara Fernando to Swinson MPST, Laura Thompson, CCing Richard Callard and others re: Letter to the Secretary of State on Post Office mediation	UKGI014708-001
26	UKGI00019736	Email from Laura Thompson to MPST Cable, MPST Swinson cc, MPST Hancock and others Re: Post Office mediation: response to letter from BIS Select Committee, dated 18 March 2015	UKGI028631-001
27	UKGI00019739	Letter from Adrian Bailey MP to Vince Cable dated 17 March 2015	UKGI028634-001
28	UKGI00019737	Post Office mediation: reply to BIS Select Committee 18 March 2015	UKGI028632-001

29	UKGI00019738	Draft Letter to Adrian Bailey from Vince Cable dated March 2015	UKGI028633-001
31	UKGI00004006	Email from Cable MPST to MPST Central Admin, Parly Unit – Others FW: Post Office mediation: response to letter from BIS Select Committee	UKGI014820-001
32	POL00039281	Letter from Vince Cable to Adrian Bailey re Post Office Mediation Scheme	POL-0035763
33	UKGI00004193	Email chain from Cable MPST to Laura Thompson, Hannah Franklin-Wallis, Ashley Rogers and others RE: Update on Post Office Horizon issue	UKGI015007-001
34	POL00021506	the Minutes of the of the Board of Directors held at 148 Old Street, London EC1v 9HQ on 18 April 2012	POL0000039
35	POL00006357	Advice on the use of expert evidence relating to the integrity of the Fujitsu Services Ltd Horizon System	POL-0017625
36	POL00129453	Simon Clarke's Advice re: Disclosure - The Duty to record and retain material - Post Office LTD	POL-0134937
37	POL00028069	Deloitte Draft Board Briefing document further to report on Horizon desktop review of assurance sources and key control features	POL-0023072
38	UKGI00002922	Information Booklet: Department for Business Innovation and Skills	UKGI013736-001
39	UKGI00003895	Letter from MP Adrian Bailey to Rt Hon Vince Cable Re: Post Office Mediation Scheme	UKGI014709-001