

Witness Name: Lord Peter Mandelson

Statement No.: WITN00600100

Dated: 29 October 2024

POST OFFICE HORIZON IT INQUIRY

FIRST WITNESS STATEMENT OF RT. HON LORD PETER MANDELSON

I, Peter Benjamin Mandelson, Baron Mandelson of Foy and of Hartlepool, formerly Secretary of State for Trade and Industry and Secretary of State for Business, Innovation and Skills, will say as follows.

Introduction

1. I make this statement in response to the Inquiry's request for evidence dated 8 August 2024 ("**the Rule 9 request**"). I have prepared it with the support of the Government Legal Department and counsel, and I have relied on others to provide me with relevant documents.

Professional Background

2. I read Philosophy, Politics and Economics ("**PPE**") at St Catherine's College, Oxford. I was elected MP for Hartlepool in the 1992 general election. After the May 1997 general election, when the Labour Party entered government, I was

appointed Minister without Portfolio in the Cabinet Office. I remained in that post until 27 July 1998, when I was appointed Secretary of State for Trade and Industry.

3. I resigned from that role in December 1998. I subsequently served as Secretary of State for Northern Ireland between October 1999 and January 2001. I continued as an MP until 2004, when I became the EU Commissioner for Trade until 2008.
4. I was raised to the peerage in October 2008 in order to take up an appointment as Secretary of State for Business, Innovation and Skills. I served in that role between 3 October 2008 and the general election of 11 May 2010. From 2010 until the present I have been the co-founder and chair of Global Counsel, a public policy advisory business.
5. As Secretary of State, both in 1998 and 2008-2010, my role was to shape the Department's priorities, pursue its main policy goals and be accountable to Parliament for delivery of them. In addition, from June 2009 I was First Secretary of State and worked part-time in that capacity from the Cabinet Office. The Minister of State, Pat McFadden, deputised for me in the Department and the House of Commons.

Design of Horizon

6. During my first period as Secretary of State in 1998 I was ultimately responsible in the Department for the oversight of the Horizon IT system. However, Ian McCartney, as the relevant Minister of State, had day-to-day responsibility. I understand Sir Ian gave detailed evidence to the Inquiry about his involvement

in that work on 30 November and 1 December 2022, as did David Sibbick, the lead civil servant on the project, on 23 November 2022. My knowledge and involvement was necessarily only from a high-level, strategic perspective.

7. The Secretary of State for Social Security (Alistair Darling) was also involved in the Horizon IT system project, as the Benefits Agency and Post Office Counters Limited (“**POCL**”) were joint service providers and users of the technology. As well as his engagement, I recall a couple of ministerial meetings about Horizon involving the Chief Secretary to the Treasury, because in addition to the external review of the programme (which had found it to be robust) there was also a legal and contractual dispute with ICL/Fujitsu concerning the delivery of the programme, in terms of both timescale and cost. I understand that Lord Darling gave evidence to the Inquiry on 29 November 2022.
8. Concerning the integrity of the new system itself, this was not called into question. The external review’s findings were accepted both within my Department and in No 10, albeit with some conditionality. The recommendation to confirm the Horizon system was made to the Prime Minister and the final decision was his. I do not remember No 10 putting a brake on the programme at any stage.
9. Although I was given no reason to doubt the technical integrity and robustness of the Horizon system in this period when I was Secretary of State (had I been, of course, my view of it would have been different), there was the serious contractual dispute. The Secretary of State for Social Security also had misgivings about the Benefits Agency becoming locked into what he regarded as

outdated technology. I think he wanted to terminate the contract with the providers.

10. My Departmental interest was different: the new system had been agreed as a means of sustaining the post office counters network and there were compelling social and political reasons for maintaining this network. If the new system was cancelled this would have had serious financial implications for POCL and the Government would have to consider an alternative direct subsidy to the Post Office. This was not attractive to the Treasury. POCL, furthermore, maintained strongly that if Horizon was scrapped there would be need for a different Horizon type system (albeit without the benefit payment card). Given the time and expense already involved in developing the Horizon system this was very unattractive. My recollection is that Ministers decided to go ahead with Horizon – with legal and contractual adjustments – because it was the only system on offer that would equip the Post Office with the modern IT system it needed, and which could handle the envisaged benefits payment card and other banking facilities.
11. There was considerable pressure to go ahead from the Post Office itself (Letter from Dr Neville Bain to Rt Hon Lord Peter Mandelson on 11 December 1998 (BEIS0000404)) and from Fujitsu who delivered a strong message to HM Ambassador in Tokyo regarding the possibility of the Government renegeing on the contract (Note of meeting between Mr Naruto and Ambassador regarding Horizon (BEIS0000336)). The alternative was very unclear, technically and financially, and it was accepted that cancellation would have significantly set back the modernisation (and viability) of the Post Office. This was not a scenario

Ministers wanted to embrace. I definitively set out this position to my colleagues and to the Prime Minister on 10 December 1998 (Letter from Secretary of State to Stephen Byers MP (Treasury) regarding POCL Automation Project (**BEIS0000418**)) and Ian McCartney responded to issues raised by Alistair Darling a few days later, repeating our position with further reasons (Letter from Ian McCartney MP to Stephen Byers MP on 14 December 1998 (**BEIS0000400**)).

Oversight of POL

12. I was supported by Departmental officials in exercising all my responsibilities as Secretary of State. On both occasions I was ultimately responsible for all policy areas dealt with by the Department but day-to-day handling was devolved to other Ministers and not routinely brought to my attention.
13. During my first period of time as Secretary of State it was Ian McCartney who as the Minister of State had day-to-day responsibility for the oversight of the Post Office, as with the Horizon IT system project specifically.
14. Issues connected to Horizon were not flagged to me at all, to the best of my knowledge and recollection, during my second term as Secretary of State for Business. I was fully supported in all matters relating to the Post Office by the Minister of State at that time, Pat McFadden, in whom I had complete confidence. All submissions concerning Post Office Limited ("**POL**") and the Horizon system would have been made to him in the first instance.
15. I had no particular personal views about the responsibilities of the Department concerning Royal Mail Group ("**RMG**") and POL. Such views as I did have were informed and bound by the role of the Department as sole shareholder and the

principle that these organisations were to have full operational independence, as I believe Pat McFadden has explained to the Inquiry. By this I understood that the Government was accountable to Parliament for RMG and POL and therefore had to explain and justify their actions, without exercising control over them. The practice of the Department and its Ministers was to refer particular Parliamentary queries regarding Post Office issues to POL. I do not remember a reply ever coming from me. This was standard for any part of Government where operational independence existed for organisations like POL.

16. I also understood that the Shareholder Executive (“ShEx”) represented the Government’s shareholding in financial not operational terms. Relevant civil servants from ShEx would have liaised between the Minister responsible (Pat McFadden) and POL. In effect, they would have been the Minister’s eyes and ears.
17. To what extent the ShEx officials did this at the time efficiently and effectively is not possible for me to judge at this juncture. What I can say is that nothing was brought to my attention during my time as Secretary of State in 2008-2010 that might have caused me to review the division of responsibilities concerning the Post Office.
18. There was not to my knowledge any monitoring facility for the Secretary of State to oversee ShEx’s exercise of their responsibilities, except in the usual sense of civil service management through the Permanent Secretary. No doubt they worked closely with other Departmental officials and anything that they thought needed to be brought to the attention of the Secretary of State could have been.

19. The operational independence of POL was, I believe, clearly established when POL was created and there was no reason at the time to question it when I was Secretary of State. Further questions might have arisen later when the Horizon and subpostmaster prosecution issues emerged and coalesced, but that was after my time.

20. I have been shown a briefing document I was given on the governance of RMG and POL in January 2009 (Governance Submission to Secretary of State, 26 January 2009 (**BEIS0001177**)), covering both the existing structure and the proposed structure after changes to bring private capital into RMG. I cannot now recall the details of this issue, and as with other postal affairs matters it would have been handled primarily by Pat McFadden as the relevant Minister. The document confirms at Annex A that the Board had operational responsibility for day-to-day matters, and the Secretary of State as shareholder had various consent or veto rights over the strategic plan, certain financial or remuneration decisions, and the appointment of the Chair and CEO.

21. I can also see from the documents with which I have been provided that I had numerous briefings about the future of the post office network and the financial position of POL (e.g. Submission to Secretary of State regarding Post Office strategy, 21 November 2008 (**BEIS0001173**) (sent as an attachment to email dated 21 November 2008 from Will Gibson to Secretary of State regarding Submission to Secretary of State regarding Post Office strategy (**BEIS0001174**)), Post Office Strategy Submission to SoS, 21 November 2008 (**BEIS0001181**), POL funding commitment brief (**BEIS0001176**), Briefing for Secretary of State's meeting with Consumer Focus Board, 16 March 2009

(**BEIS0001175**)). I do remember recurring issues about the post office closure programme (the 'Network Change' programme) in this period and discussing this with the Minister of State, officials and POL representatives (e.g. Final Background Note for PAC briefing with Simon Fraser, 11 May 2009 (**BEIS0001179**)). This was at times an intensive matter because of the Parliamentary pressures; MPs of all parties did not like their local post offices to close. There was concern from a Departmental perspective about the possibility that POL would lose the Post Office Card Account ("**POCA**") contract (Master electronic version of reshuffle briefing for Secretary of State as at 20.00hrs, 3 October 2008 (**BEIS0001185**) and Master electronic version of reshuffle briefing for new ministers (part 2) as at 20.00 hrs, 3 October 2008 (**BEIS0001186**)) but this was awarded during my time in office. I also note from the documents that there was significant work done on linking up the post office network with a greater range of banking services (Draft Post Office Consultation Final, 18 November 2009 (**BEIS0001171**) (sent as an attachment to email dated 19 November 2009 from Private Secretary to Pat McFadden to Jerome Glass and Secretary of State regarding Draft Post Office Consultation (**BEIS0001172**)). There was considerable time spent exploring options for government business to be done via POL.

22. The work being done following the Hooper Review on a Postal Services Bill to bring private capital into RMG took up considerable time, but as with other aspects of this brief Pat McFadden mainly took the lead (Simon Fraser - final brief on Royal Mail and POL (**BEIS0001182**) (sent as an attachment to email dated 29 June 2009 from Craig Jones to various regarding final brief on Royal Mail and POL cleared by the Secretary of State and Pat McFadden

(BEIS0001183))). The Postal Services Bill was also concerned with governance, regulation, financing and the threats to universal service. It was designed, at least in part, to increase the transparency of POL's performance, whilst ensuring that it was equipped to operate in competitive markets. POL's operational independence was recognised as an important feature of its commercial viability. This was accompanied by strategic support and funding from Government. Problems with Horizon were not mentioned or discussed as part of that work, to the best of my knowledge.

23. Essentially, in terms of governance or oversight, I understood that if there was some form of crisis involving the Post Office it might end up on my desk, but I only expected that to happen in situations of real extremis. It never happened in my time as Secretary of State in 2008-2010. Were that to have occurred, I understood that the ultimate power I would have had as Secretary of State was to sack the Board or CEO and replace them, but I did not give much thought, if any, to what levers I had other than that because day-to-day operations were a matter for the POL Board and management team, and oversight of them was a matter for ShEx and the Minister of State unless there was a significant crisis.

Reports of errors in the Horizon IT system

24. I do not recall any relevant meetings held by me concerning the Horizon IT system while I was Secretary of State 2008-10. Indeed, I do not recall any Departmental meetings to discuss POL matters in which I was involved, apart from the thorny and sensitive post office closure programme. I cannot be absolutely sure that Horizon was never mentioned, given how much time has elapsed since then, but I have had no relevant documentation drawn to my

attention that contradicts this memory. In terms of postal affairs, whilst this did take up some of my time as Secretary of State, about 90% of it concerned the Royal Mail rather than Post Office.

25. I can see from the documentation that, for example, I met with the National Federation of Subpostmasters shortly after taking on the role of Secretary of State on 15 October 2008 and again on 6 May 2009, but the briefing notes do not mention any issues involving Horizon on either occasion (Secretary of State briefing regarding meeting with General Secretary of NFSP, 15 October 2008 (**BEIS0001178**) and Note of Secretary of State meeting with NFSP on 6 May 2009, dated 18 May 2009 (**BEIS0001180**)).
26. I can also see from the documents provided to me that during my time in office the "Post Offices – Securing their Future" report was published on 7 July 2009, in which some critiques were raised of Horizon. However, these were about general user-friendliness and did not include reference to unexplained shortfalls or prosecutions. For example, "*the Committee heard from subpostmasters that transactions needed to be simplified and streamlined*" and transactions were "*more complex and difficult to use than they need to be*" (see paragraphs 63 & 64). The report noted that POL was upgrading Horizon technology in the "Horizon Online" project (at paragraph 64). I cannot recall to what extent I personally had sight of this report, although it was the product of a task force of MPs that I had given my support to, in order to examine post office strategy (Letter from Secretary of State to Peter Luff MP, 10 December 2008 (**BEIS0001184**)). My office was sighted on a briefing in response to this report which referenced the Horizon upgrade as a welcome development (Letter from Mike Whitehead to Pat

McFadden regarding Government Response to BEC Report, dated 22 September 2009 (**UKGI00017948**)).

27. I was not conscious at the time of RMG or POL prosecutions of subpostmasters for theft or fraud. I do not recall complaints being made by subpostmasters about the integrity of the Horizon system in 2008-2010. As a result, I did not ever consider requesting or commissioning a further investigation into the system, nor was it suggested to me.

28. Had complaints been received it would have been usual for the Post Office Minister, Pat McFadden, to deal with them as I did not have day-to-day responsibility for the Post Office. For examples, the letters from James Arbuthnot MP to me in November and December 2009 (Letter from Rt Hon James Arbuthnot MP to Rt Hon Lord Peter Mandelson regarding Post Office Horizon system: possible errors leading to postmaster being accused of fraud, 3 November 2009 (**UKGI00011504**) and Letter from Rt Hon James Arbuthnot MP to Rt Hon Lord Peter Mandelson requesting comments on correspondence from Mr David Bristow and Councillor John Kennet, 10 December 2009 (**UKGI00011501**)) were given to Pat McFadden for reply in accordance with normal practice so I was not aware of the issue he raised. I do not recall further parliamentary correspondence or submissions on these cases. I do not know who was responsible for these matters in RMG or POL and I did not meet them to discuss the matter. I had no involvement in the response provided by Pat McFadden (Letter from Pat McFadden MP to Rt Hon James Arbuthnot MP regarding Post Office Horizon system, 5 December 2009 (**POL00234111**)).

29. After I left government in 2010 I did not have any correspondence about or involvement with these matters, that I can recall. It was not until much later on, long after I left the Department and government, that I heard of the Horizon prosecutions. My knowledge, therefore, did not materially change until the last couple of years when I have followed the story in the media.

Reflections

30. The Inquiry has asked me to reflect on my time as Secretary of State and whether there is anything I would have handled differently, with hindsight, in relation to the oversight of POL.
31. I was familiar with the Post Office's overall strategic and financial challenges and met the chair of POL from time to time when I was Secretary of State but I cannot say that, even with the benefit of hindsight, matters should have been handled differently given the operational independence of the Post Office and the fact that the true information surrounding the Horizon prosecutions only emerged later on. Nothing that came to my attention or that was raised with me in Parliament caused me to consider handling matters differently in relation to POL and Horizon when I was Secretary of State.
32. I am not familiar with current Ministerial practice in relation to POL and so I am unable to suggest how this might be changed. Nor I am in a position, through lack of knowledge, to make any relevant suggestions to the Inquiry except to express the profound regret I share with others that so many SPMs have been subjected to such appalling treatment which has inflicted great unfairness and cost on them.

Statement of truth

I believe the content of this statement to be true.

Signed: _____

GRO

Dated: _____

October 29 2024

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1.	Letter from Dr Neville Bain to Rt Hon Lord Peter Mandelson on 11 December 1998	BEIS0000404	BEIS0000384
2.	Note of meeting between Mr Naruto and Ambassador re Horizon	BEIS0000336	BEIS0000316
3.	Letter from SoS to Stephen Byers MP (Treasury) re POCL Automation Project	BEIS0000418	BEIS0000398
4.	Letter from Ian McCartney MP to Stephen Byers MP on 14 December 1998	BEIS0000400	BEIS0000380
5.	Governance Submission to SoS, 26 January 2009	BEIS0001177	BEIS0001177
6.	Submission to SoS re Post Office strategy, 21 November 2008	BEIS0001173	BEIS0001173
7.	Email dated 21 November 2008 from Will Gibson to SoS re Submission to SoS re Post Office strategy	BEIS0001174	BEIS0001174
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9.	POL funding commitment brief	BEIS0001176	BEIS0001176
10.	Briefing for SoS's Meeting with Consumer Focus Board, 16 March 2009	BEIS0001175	BEIS0001175
11.	Final Background Note for PAC briefing with Simon Fraser	BEIS0001179	BEIS0001179
12.	Master electronic version of reshuffle briefing for SoS as at 20.00hrs, 3 October 2008	BEIS0001185	BEIS0001185
13.	Master electronic version of reshuffle briefing for new ministers (part 2) as at 20.00 hrs, 3 October 2008	BEIS0001186	BEIS0001186
14.	Draft Post Office Consultation Final, 18 November 2009	BEIS0001171	BEIS0001171
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16.	Simon Fraser - final brief on Royal Mail and POL	BEIS0001182	BEIS0001182
17.	Email dated 29 June 2009 from Craig Jones to various re final brief on Royal Mail and POL cleared by SoS and Pat McFadden	BEIS0001183	BEIS0001183
18.	SoS briefing re meeting with General Secretary of NFSP, 15 October 2008	BEIS0001178	BEIS0001178
19.	Note of SoS meeting with NFSP on 6 May 2009, dated 18 May 2009	BEIS0001180	BEIS0001180
20.	Letter from SoS to Peter Luff MP, 10 December 2008	BEIS0001184	BEIS0001184
21.	Letter from Mike Whitehead to Pat McFadden re Government Response to BEC Report, dated 22 September 2009	UKGI00017948	UKGI027955-001
22.	Letter from Rt Hon James Arbuthnot MP to Rt Hon Lord Peter Mandelson Re: Post Office Horizon system: possible errors leading to postmaster being accused of fraud, 3 November 2009	UKGI00011504	UKGI022312-001
23.	Letter from Rt Hon James Arbuthnot MP to Rt Hon Lord Peter Mandelson requesting comments on correspondence from Mr David Bristow and Cllr John Kennet, 10 December 2009	UKGI00011501	UKGI022309-001
24.	Letter from Pat McFadden MP to Rt Hon James Arbuthnot MP Re: Post Office Horizon system, 5 December 2009	POL00234111	POL-BSFF-0072174