

Subsidy Advice Unit Report on the proposed Subsidy to Post Office Limited (Remediation Unit and Horizon IT Inquiry 2026/27 and IR35 Liability Cost)

**Referred by the Department for Business and
Trade**

10 March 2026

Subsidy Advice Unit

Part of the Competition and Markets Authority



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CONTENTS

1. The Referral	3
Summary	3
The referred Subsidy	4
2. The SAU's Evaluation	6
Step 1: Identifying the policy objective, ensuring it addresses a market failure or equity concern, and determining whether a subsidy is the right tool to use	6
Step 2: Ensuring that the subsidy is designed to create the right incentives for the beneficiary and bring about a change	9
Step 3: Considering the distortive impacts that the subsidy may have and keeping them as low as possible	12
Step 4: Carrying out the balancing exercise	15
Other Requirements of the Act	16

1. The Referral

- 1.1 On 22 January 2026, the Department for Business and Trade (DBT) requested a report from the Subsidy Advice Unit (the SAU)¹ in relation to the proposed subsidy to Post Office Limited (POL) for the Remediation Unit and Post Office Horizon IT Inquiry (POHIT Inquiry) in the financial year (FY) 2026/27 and IR35 tax liability costs (the Subsidy) under section 52 of the Subsidy Control Act 2022 (the Act).²
- 1.2 This report evaluates DBT's assessment of compliance (the Assessment) of the Subsidy with the requirements of Chapters 1 and 2 of Part 2 of the Act.³ It is based on the information and evidence included in the Assessment.
- 1.3 This report is provided as non-binding advice to DBT. It does not consider whether the Subsidy should be given, or directly assess whether it complies with the subsidy control requirements.

Summary

- 1.4 The Assessment uses the four-step structure described in the Statutory Guidance for the United Kingdom Subsidy Control Regime (the [Statutory Guidance](#)) and as reflected in the SAU's Guidance on the operation of the subsidy control functions of the Subsidy Advice Unit (the [SAU Guidance](#)).
- 1.5 In our view, DBT has considered in detail the compliance of the Subsidy with the subsidy control principles. In particular, the Assessment:
 - (a) clearly sets out the intended policy and equity objectives of the Subsidy which are well explained and evidenced (Principle A);
 - (b) demonstrates that several options for achieving the policy objective were considered and explains why DBT concludes the Subsidy to be the most appropriate means to address the policy objective (Principle E); and
 - (c) acknowledges the subsidies given to POL to date (Principle B), and considers the potential for entry and expansion of alternative providers in each of the relevant markets in which POL operates as well as impact on investment by competitors as a result of the Subsidy (Principle F).

¹ The SAU is part of the Competition and Markets Authority.

² [Subsidy Control Act 2022](#).

³ Chapter 1 of Part 2 of the Act requires a public authority to consider the subsidy control principles and energy and environment principles before deciding to give a subsidy. The public authority must not award the subsidy unless it is of the view that it is consistent with those principles. Chapter 2 of Part 2 of the Act prohibits the giving of certain kinds of subsidies and, in relation to certain other categories of subsidy creates a number of requirements with which public authorities must comply.

- 1.6 However, the Assessment should clarify whether any contracted workers have been engaged in POL's commercial operations, and if so, consider the effect on competition or investment in the UK (Principle F).
- 1.7 In addition, this Subsidy is one of eight⁴ referrals to the SAU in relation to financial assistance to POL (and is the second modification or update to the original restructuring plan) since October 2023. DBT should consider the impact of this cumulative support across multiple subsidies on the assessment of this Subsidy and of other potential future subsidies to POL in order to provide the appropriate context for individual subsidy assessments. Additionally, in relation to this referral, the Assessment should take into account the full package of restructuring support in its assessment of proportionality (Principle B).
- 1.8 We discuss these areas below, along with other issues, for consideration by DBT in finalising its assessment.

The referred Subsidy

- 1.9 POL is a Public Non-Financial Corporation. It was constituted under the 2000 and 2011 Postal Services Acts and is wholly owned by the Secretary of State for the Department for Business and Trade. Through Post Office Limited, UK government ensures the provision of a network of Post Office branches, notably by way of a Service of Public Economic Interest (SPEI), delivering essential services to customers across the UK.
- 1.10 DBT is proposing to award POL a grant of up to £141,841,811 to fund two activities:
- (a) Up to £37 million to cover the costs of acting as a core participant in the POHIT Inquiry and operating the Remediation unit which delivers compensation and other Horizon-related activities (Remediation Unit) in FY 2026/27; and
 - (b) Up to £104,441,811 to cover POL's historic IR35⁵ tax liability due to misclassification of contractors engaged between 2017 and 2022.⁶ HMRC

⁴ [Transformation and Network Investment \(July 2025\)](#), [Future Technology Portfolio 2025 to 2026 \(April 2025\)](#), [Network subsidy \(April 2025\)](#), [Remediation Unit and Horizon IT Inquiry \(March 2025\)](#), [Post Office Process Review compensation \(February 2024\)](#), [IT Interim Funding \(December 2023\)](#) and [Post Office Limited \(November 2023\)](#).

⁵IR35 legislation is a tax measure, introduced in 2000 and reformed in 2017. It aims to prevent 'disguised employment' by ensuring contractors who work like employees are taxed similarly. Under these rules, organisations engaging contractors must determine whether they fall 'inside IR35' (taxed as employees) or 'outside IR35' (self-employed). Misclassification can result in significant liabilities for unpaid tax and National Insurance contributions.

⁶ Contractors were engaged to deliver critical programmes, including, but not limited to, Horizon IT replacement and activities linked to the Remediation Unit and POHIT. This also led to contractors being brought on to backfill gaps in other parts of the company, where the existing staff had been moved to work in the Remediation Unit at short notice.

has determined that POL is liable for unpaid tax relating to these contractors. The liability includes IR35 tax, associated corporation tax, and interest.⁷

- 1.11 In July 2021, POL prepared a restructuring plan (the 2021 Restructuring Plan) to address POL's liabilities connected with its Horizon IT system or workers' rights legislation, relating to previous years (the Horizon and Employment Liabilities).
- 1.12 A subsidy in relation to the modification of the 2021 Restructuring Plan was referred to the SAU in October 2023 (2023 Modified Plan).⁸ The 2023 Modified Plan was intended to cover the increase in costs associated with the POHIT and the operation of the Remediation Unit, for FYs 2023/24 and 2024/25. A subsequent subsidy under the 2023 Modified Plan to cover Remediation Unit and Inquiry costs for FY 2025/26 was referred to the SAU in February 2025.⁹
- 1.13 The present referral relates to a further subsidy which DBT intends to award under a 2025 update to the 2023 Modified Plan. The IR35 tax liability was referenced as a risk in the 2023 Modified Plan but no funding to address this was provided under any previous subsidy awards to POL.
- 1.14 DBT explained that the Subsidy is a Subsidy of Particular Interest because it exceeds £25 million in value and it is a restructuring subsidy under section 20 of the Subsidy Control Act.

⁷ To note, DBT informed the SAU that it will make the payment to POL, which will then repay HMRC.

⁸ [Referral of the proposed subsidy to Post Office Limited by the Department for Business and Trade.](#)

⁹ [Referral of the proposed \(Remediation Unit and Horizon IT Inquiry\) subsidy to Post Office Limited by the Department for Business and Trade.](#)

2. The SAU's Evaluation

2.1 This section sets out our evaluation of the Assessment, following the four-step structure used by DBT.

Step 1: Identifying the policy objective, ensuring it addresses a market failure or equity concern, and determining whether a subsidy is the right tool to use

2.2 Under Step 1, public authorities should consider compliance of a subsidy with:

- (a) Principle A: Subsidies should pursue a specific policy objective in order to remedy an identified market failure or address an equity rationale (such as local or regional disadvantage, social difficulties or distributional concerns); and
- (b) Principle E: Subsidies should be an appropriate policy instrument for achieving their specific policy objective and that objective cannot be achieved through other, less distortive, means.¹⁰

Policy objectives

2.3 The Assessment states that the policy objectives of the Subsidy are:

- (a) Remediation Unit and POHIT: to enable POL to cover the costs of completing the necessary activity as a core participant in POHIT and operating its Remediation Unit, to achieve the outcomes of:
 - (i) POL continuing its duties as a core participant in POHIT, allowing the Inquiry to do its work without hindrance; and
 - (ii) the Remediation Unit being funded to pay out redress to postmasters who are yet to receive it and topping up settlements to those who settled under the Horizon Shortfall Schemes to £75,000 if their settlement was below this figure.
- (b) IR35: to enable POL to settle its tax liability with HMRC in relation to IR35 tax legislation. The Assessment sets out the liability is unaffordable to POL without resulting in undesirable consequences (such as knock-on impacts on other parts of the business and the risk of insolvency), and it has been communicating with HMRC for a number of years in relation to settling this matter, taking up considerable resource at both organisations. DBT is

¹⁰ See [Statutory Guidance](#), paragraphs 3.33–3.59 and the [SAU Guidance](#), paragraphs 3.6–3.10 for further detail.

proposing to step in and fund this liability in a cost neutral manner to the Exchequer, bringing an end to this work; and

- (c) SPEI: to keep POL in the market to ensure the continuation of the provision of SPEI. The Assessment states that this provision would be impacted in the absence of the Subsidy because POL would find it unaffordable to self-fund the Remediation Unit and POHIT costs and the IR35 tax liability, and this would have a detrimental impact on the company's finances and lead to insolvency, meaning the SPEI would not be financially viable and would no longer be delivered.

2.4 In our view, the Assessment clearly describes and evidences the specific policy objective of the Subsidy.

Equity Objective

2.5 Equity objectives seek to reduce unequal or unfair outcomes between different groups in society or geographic areas.¹¹

2.6 The Assessment explains the equity objective for the Subsidy is to support the fair delivery of redress in a timely manner, ensure that affected postmasters, and the wider public, obtain the full facts surrounding failings of the Horizon IT system at the Post Office and to enable the UK government to learn lessons to avoid recurrence.

2.7 In relation to the IR35 tax liability, the Assessment explains that while this aspect of the Subsidy does not directly support an equity objective, it will indirectly support the continued operation of POL and its provision of SPEI, and the equity objective behind them, as otherwise the liability could lead to POL facing insolvency and being unable to deliver this service – which is discussed further under the counterfactual scenario (see paragraph 2.21-2.24). The Assessment further notes that Subsidy indirectly supports the delivery of the SPEI as without subsidy, POL could need to re-direct critical funding elsewhere in the business to conduct this work.

2.8 DBT supports its conclusions on the Remediation Unit and POHIT aspect of the Subsidy with reasoning and evidence as to the extent and severity of the financial and other hardships experienced by postmasters and articulates the UK government's aim of addressing those issues by awarding the Subsidy.

2.9 The Assessment also sets out the UK government's aims for POL's SPEI and evidences the social inequities that would result from branch closures without it,

¹¹ [Statutory Guidance](#), paragraphs 3.52–3.56.

including disadvantages to rural communities, SMEs and more vulnerable customers.

- 2.10 In our view, the Assessment articulates the equity objective that it seeks to address and explains effectively how the Subsidy will achieve that objective.

Appropriateness

- 2.11 Public authorities must determine whether a subsidy is the most appropriate instrument for achieving the policy objective. As part of this, they should consider other ways of addressing the market failure or equity issue.¹²
- 2.12 The Assessment states that the Remediation Unit and POHIT aspect of the Subsidy is being made in response to a significant increase in the estimated lifetime costs of POL's Remediation Unit and POHIT Inquiry Team. It explains that meeting these costs is non-discretionary and the drivers behind the increases, such as the level of required POHIT Inquiry participation and ministerial decisions about the scope and extent of compensation schemes, are outside POL's control.
- 2.13 The Assessment considers whether another provider, including the UK government, could step in to deliver these activities. However, it concludes that this is not a viable proposition for legal, administrative and procedural reasons. Further, the Assessment states that only POL has the necessary resources and processes in place to support the delivery of compensation to affected postmasters as well as to effectively discharge its legal responsibilities to the POHIT Inquiry.
- 2.14 In relation to the IR35 tax liability, the Assessment explains that POL covering these costs has been assessed to be unaffordable. This is because the quantum of the liability would cause significant funding pressures to POL that are undesirable to both POL and DBT. More specifically, any requested contribution from POL could hamper the delivery of the strategic Transformation Plan,¹³ delaying expected future benefits such as cost savings.
- 2.15 The Assessment sets out alternative policy options that were considered by DBT to cover the costs the Subsidy is funding. These options include (i) an examination of the capacity of POL to absorb these costs internally alongside cost reduction strategies; and (ii) the use of loans.
- 2.16 It explains that POL has not had the capacity to absorb costs and further fund the POHIT Inquiry and Remediation Unit since April 2023 due to increasing costs, a significant deterioration in POL's trading performance and outlook, along with

¹² [Statutory Guidance](#), paragraphs 3.57–3.59.

¹³ The Transformation Plan will deliver cost savings and additional revenue which will lead to positive trading profits and a stable cash reserve position.

substantial increases in IT spending due to the need to upgrade/replace the Horizon system. The Assessment therefore considers that cost reduction strategies/self-help are not viable for either aspect of the Subsidy.

- 2.17 The Assessment also considers whether costs could be met through loans. It concludes that loans would not be viable in this case as the relevant costs are not considered a commercial proposition.
- 2.18 In our view, the Assessment demonstrates that several options for achieving the policy objective were considered and explains why DBT concludes the Subsidy to be the most appropriate means to address the policy objective.

Step 2: Ensuring that the subsidy is designed to create the right incentives for the beneficiary and bring about a change

- 2.19 Under Step 2, public authorities should consider compliance of a subsidy with:
- (a) Principle C: Subsidies should be designed to bring about a change of economic behaviour of the beneficiary. That change should be something that would not happen without the subsidy and be conducive to achieving its specific policy objective; and
 - (b) Principle D: Subsidies should not normally compensate for the costs the beneficiary would have funded in the absence of any subsidy.¹⁴

Counterfactual

- 2.20 In assessing the counterfactual, public authorities should consider what would likely happen in the future – over both the long and short term – if no subsidy were awarded (the ‘do nothing’ scenario).¹⁵
- 2.21 The Assessment sets out a counterfactual scenario where, in the absence of the Remediation Unit part of the Subsidy, POL would still be obligated to respond to the statutory POHIT Inquiry and to continue operating the Remediation Unit. However, without the Subsidy, POL would need to use funds that are reserved for its cost-saving initiatives under the Transformation Plan, and thus would not realise the future benefits associated with these initiatives, which would worsen POL’s financial position. This, combined with the IR35 tax liability, would result in POL being highly vulnerable to insolvency in the next few years.
- 2.22 The Assessment further highlights that without full Subsidy funding to address the IR35 tax liability, POL would face insolvency as soon as the HMRC liability

¹⁴ See [Statutory Guidance](#), paragraphs 3.60–3.74 and the [SAU Guidance](#), paragraphs 3.11–3.13 for further detail.

¹⁵ [Statutory Guidance](#), paragraphs 3.63–3.65.

becomes due. It goes on to explain that this IR35 tax liability alone pushes POL into a negative cash position, resulting in a credible risk of insolvency.

- 2.23 The Assessment further adds that in the short term, POL's ability to provide essential cash and banking services would be severely challenged. This is all the more acute as POL's role in delivering these essential banking services is expected to grow with the continued closure of retail bank branches.
- 2.24 The Assessment continues that, should POL's likelihood of entering into administration increase, the network of post office branches would be adversely affected, severely impairing the provision of SPEI. This would also result in widespread social hardship, especially in rural and deprived areas where Post Office branches serve as the critical access point for essential services.
- 2.25 The Assessment considers three alternative counterfactual scenarios involving actions that could potentially prevent POL's insolvency in the absence of the subsidy. These include self-funding the costs through the divestment of assets, reducing the provision of SPEI, or the UK government stepping in to undertake POL's POHIT and Remediation Unit activities. None of them were considered to be the most likely counterfactual for reasons set out in the Assessment.
- 2.26 In our view, the Assessment provides an adequate explanation of the most likely counterfactual scenario when compared to the three alternatives mentioned above. The Assessment also adequately explains why these three alternative counterfactual scenarios were found not to be credible. Nevertheless, the Assessment could explore how entering into administration might operate in the counterfactual, including likely steps and outcomes, which would help articulate more clearly whether corporate failure would be the most likely counterfactual, and the basis for reaching that view.

Changes in economic behaviour of the beneficiary and additionality

- 2.27 Subsidies must bring about something that would not have occurred without the subsidy.¹⁶ They should not be used to finance a project or activity that the beneficiary would have undertaken in a similar form, manner, and timeframe without the subsidy ('additionality').¹⁷
- 2.28 The Assessment explains that the Subsidy will enable POL to meet FY2026/27 costs associated with its role as a core participant in the POHIT Inquiry and with operating its Remediation Unit. This will provide POL with the necessary resources to deliver redress in a timely and cost-effective manner to the affected postmasters and will support POL's participation in the POHIT. In addition, the Subsidy will

¹⁶ [Statutory Guidance](#), paragraph 3.67.

¹⁷ [Statutory Guidance](#), paragraphs 3.66–3.70.

allow POL to learn lessons from Horizon and implement the recommended changes outlined by the Inquiry, impacting both the delivery of SPEI and fostering cultural change within POL.

- 2.29 The IR35 tax liability aspect of the Subsidy is not aimed at changing POL's economic behaviour, except to ensure that POL learns from the interpretation of the IR35 tax legislation. The funding will help POL avoid similar liabilities in the future and ensure compliance with IR35 legislation.
- 2.30 In addition, the Subsidy will allow POL to continue providing the SPEI at the required level, ensuring equity for both postmasters and customers whose branches would otherwise encounter reduced resourcing or face closure.
- 2.31 The Assessment clarifies that the Subsidy will not fund business-as-usual costs and commercial activities. Instead, the funded activities relate to the Horizon IT issues, with funding for POL to act as a core participant in the POHIT Inquiry and operating the Remediation Unit. Regarding IR35 tax liability, the Assessment explains that it resulted from POL's actions in rapidly establishing the Remediation Unit to deliver redress. The majority of contractors were hired either to staff the Remediation Unit or to backfill POL employees who were reassigned to it.
- 2.32 The Assessment also highlights that, absent the Subsidy, POL may be in breach of its working capital facility's financial covenants. Such a breach could trigger a default or cross-default with other financing facilities, creating a credible risk of insolvency.
- 2.33 The Assessment sets out that POL is a large-sized enterprise, and, drawing on the 2023 Modified Plan, has made significant contributions to the costs of activities within the 2025 update to the 2023 Modified Plan, as well as to the costs of the Group Litigation Order.¹⁸ In particular, the Assessment submits that POL contributed a significant proportion of its own reserves to costs related to Horizon liabilities, redress, Remediation Unit costs, and POHIT. Whilst the proportion of the contribution will decrease after this Subsidy is awarded, POL justified this reduction on the grounds of exceptional circumstances surrounding the IR35 tax liability.
- 2.34 In our view, the Assessment provides a qualitative explanation of the expected change in POL's behaviour. It also sufficiently explains that the Subsidy is not funding business-as-usual costs, and that it does not finance a project or activity that would have been undertaken in a similar form, manner, and timeframe without the proposed Subsidy.

¹⁸ The collective legal action brought by postmasters against POL in relation to the Horizon IT system.

Step 3: Considering the distortive impacts that the subsidy may have and keeping them as low as possible

- 2.35 Under Step 3, public authorities should consider compliance of a subsidy with:
- (a) Principle B: Subsidies should be proportionate to their specific policy objective and limited to what is necessary to achieve it; and
 - (b) Principle F: Subsidies should be designed to achieve their specific policy objective while minimising any negative effects on competition or investment within the United Kingdom.¹⁹

Proportionality

- 2.36 The Assessment considers the Subsidy to be proportionate and designed to minimise distortion. It states that the Subsidy is strictly limited and ringfenced to costs associated with participation in the POHIT Inquiry, the Remediation Unit and settlement of IR35 tax liability, all of which do not relate to commercial activities of POL. The Subsidy is also time limited: for the POHIT Inquiry and Remediation Unit funding until the end of FY 2026/27, and for the IR35 tax liability aspect, in FY 2025/26.
- 2.37 The Assessment states that the POHIT Inquiry and Remediation Unit funding is based on financial forecasts and DBT has sought views from UK Government Investments to verify that the subsidy size is the minimum amount. The Subsidy is an 'up to' amount and payments will be adjusted to reflect actual costs, which will be monitored on an ongoing basis to ensure only the minimum required is spent in order to achieve the policy objective.
- 2.38 It outlines the ongoing monitoring and evaluation mechanisms including a full monitoring and evaluation plan for POHIT Inquiry and Remediation Unit costs. This includes regular interaction between DBT and POL, ongoing monitoring of costs, and delivery of the relevant activities against key performance indicators.
- 2.39 The Assessment states that the IR35 tax liability subsidy amount represents the 'worst case' scenario liability. It explains the justification for including the IR35 tax liability in the restructuring subsidy rests on the exceptional scale of POL's liability and its direct link to decisions taken in response to the Horizon IT issues, a liability which, if unfunded, would jeopardise POL's financial viability and continuity of SPEI provision. The Assessment explains that POL had been working on the technical tax position for certain workers, to reduce the size of the liability but this involved the use of external tax experts. The Assessment states that following discussion with HM Treasury, it was agreed that the off-setting calculation process

¹⁹ See [Statutory Guidance](#) paragraphs 3.75–3.112 and the [SAU Guidance](#), paragraphs 3.14–3.18 for further detail.

would not be undertaken - as whilst the total sum of the IR35 tax liability would be reduced, this would save time and resource for both POL and at HMRC. DBT explains that this, therefore, represents the best value for money for the taxpayer. Furthermore, the Assessment explains that the payment is circular to the Exchequer and DBT is more comfortable funding the liability because of this (as POL would not see direct benefits, and it is cost neutral to the Exchequer and the taxpayer).

- 2.40 The Assessment outlines the projected lifetime spend on POHIT Inquiry and Remediation Unit activity by the end of 2025/26, the amount POL has self-funded and acknowledges the costs funded by HMG to date. The Assessment also lists other funding to POL that is not related to the 2025 update to the 2023 Modified Plan.
- 2.41 In our view, the Assessment appropriately considers the characteristics of the POHIT Inquiry and Remediation Unit funding, and how this ensures proportionality. While the Assessment lists past restructuring subsidies given to POL, the Assessment should take into account the full package of restructuring support (including past restructuring subsidies) in its assessment of proportionality.
- 2.42 In relation to the IR35 tax liability funding, in our view, the Assessment appropriately explains the characteristics of the funding and how this is proportionate to achieve the policy objective.

Design of subsidy to minimise negative effects on competition or investment

- 2.43 The Assessment states that POL does not trade internationally, and therefore any impacts on competition would only impact those in a domestic setting.
- 2.44 It further explains that the POHIT Inquiry and Remediation Unit funding will not have a distorting effect on competition in the markets in which POL operates, as the subsidy funding is limited and ringfenced to costs associated with the POHIT Inquiry and Remediation Unit. Neither of these activities relate to the commercial activities of POL, nor do they impact how POL operates in the relevant commercial markets.
- 2.45 The Assessment outlines that by ringfencing the POHIT Inquiry and Remediation Unit funding to specific costs and monitoring both costs and delivery against key performance indicators, any potential distortions to competition should be limited.
- 2.46 The Assessment also states that the IR35 tax liability portion of the Subsidy will not directly benefit POL or impact their presence in the market. The Assessment explains the IR35 tax liability arose due to actions POL took in responding to the need to set up a Remediation Unit with contractors brought onboard either to staff

the Remediation Unit or to backfill POL employees who had moved over to work on the Remediation Unit.

- 2.47 In our view, the Assessment considers how design features of the Subsidy contribute to minimising any negative effects of the Subsidy on competition or investment within the UK. For example, the Assessment appropriately considers why a direct grant is the most effective option to achieve the policy objective. The Assessment acknowledges that the IR35 tax liability portion of the Subsidy does not necessarily represent the minimum possible amount and provides a justification for this in the circumstances. However, in relation to the nature of costs covered, POL should nonetheless clarify whether any contracted workers have been engaged in POL's commercial operations, and if so, consider the effect on competition or investment in the UK, in line with Annex 3 of the Statutory Guidance.

Assessment of effects on competition or investment

- 2.48 The Assessment clearly identifies and provides information about the relevant markets in which POL is commercially active, namely (i) postal services; (ii) cash and banking; (iii) government services; and (iv) bill payment markets. It identifies relevant competitors and, for certain markets, the market shares and trends. It captures the key areas where competition distortions may occur and concludes that the impact on competition in the relevant markets compared to their current state would be negligible. The Assessment explains the Subsidy maintains rather than enhances POL's competitive position.
- 2.49 The Assessment states that should the counterfactual be realised, this could potentially benefit competitors in the commercial markets in which POL is active. In those markets, the absence of POL could allow competitors to increase their market share. It also considers the potential positive impacts on competition from retaining POL as a competitor, especially in certain markets where there are a limited number of competitors.
- 2.50 The Assessment also recognises that the Subsidy may indirectly deter competitor investment in rural areas by maintaining POL's extensive network or reducing incentives for innovation if competitors perceive POL's position as entrenched. The Assessment considers that given the Subsidy is designed to go towards time-limited, uncommercial activities for POL, which they are obliged to do, this will minimise distortions.
- 2.51 The Assessment acknowledges that no equivalent support is offered to privately owned competitors. However, it states the nature of costs differs across the two components of this Subsidy explaining the POHIT Inquiry and Remediation Unit funding are unique to POL, arising from its role in the Horizon IT issues and statutory Inquiry participation – activities which no competitor undertakes – and

therefore this element is not distortive. For the IR35 tax liability funding, the Assessment explains that not receiving this funding would jeopardise POL's financial viability and continuity of SPEI provision – which, it states, are not conditions that private companies are held to.

2.52 In our view, the Assessment appropriately considers potential distortions of competition against both the current market and the counterfactual. In response to previous SAU feedback, the Assessment has considered the potential for entry and expansion of alternative providers in each of the relevant markets in which POL operates, as well as potential impacts on investment by competitors as a result of the Subsidy.

Step 4: Carrying out the balancing exercise

2.53 Under step 4 (Principle G), public authorities should establish that the benefits of the subsidy (in relation to the specific policy objective) outweigh its negative effects, in particular negative effects on competition or investment within the United Kingdom and on international trade or investment.²⁰

2.54 The Assessment lists the direct beneficial impacts of the Subsidy. These include supporting the equity objectives by enabling financial redress to be paid to postmasters and supporting the POHIT Inquiry to ensure that the full facts and events surrounding the Horizon IT issues are made available to those affected and to enable lessons to be learned. In addition, addressing POL's IR35 tax liability helps to stabilise its immediate financial position, avoiding insolvency risks and providing a foundation for continued investment into its Transformation Plan.

2.55 The Assessment further explains that the Subsidy will allow POL to maintain the provision of its existing SPEI, which ensures reasonable equity of access for UK consumers, including vulnerable customers, to the range of post office services nationally.

2.56 We consider that the Assessment sets out the benefits of the Subsidy and demonstrates how they relate to the specific policy objective and support the overall equity objective.

2.57 The Assessment sets out a number of negative effects. It discusses the potential negative effects on competition or investment in the UK, with regard to the counterfactual position and provides an explanation of the likelihood of occurrence and the size of impact.

2.58 It also explains that, whilst the Subsidy may keep POL in markets which competitors might otherwise expand into and invest in, the impact on competition

²⁰ See [Statutory Guidance](#), paragraphs 3.113–3.121 and the [SAU Guidance](#), paragraphs 3.19–3.21 for further detail.

or investment in the relevant markets will otherwise be minimal because the Subsidy will maintain the current status quo, and will be ringfenced to fund specific activities, none of which are commercial.

- 2.59 The Assessment states that POL does not trade internationally.
- 2.60 In our view, the Assessment sets out the benefits of the Subsidy in relation to the policy objective and negative impacts; and conducts a balancing exercise between them in line with the Statutory Guidance.

Other Requirements of the Act

- 2.61 This step in the evaluation relates to the requirements and prohibitions set out in Chapter 2 of Part 2 of the Act, where these are applicable. ²¹

Restructuring

- 2.62 DBT considers the referred Subsidy to be a restructuring subsidy. The Statutory Guidance explains that restructuring subsidies can be granted by public authorities to ailing or insolvent enterprises, provided certain conditions are met, such as a requirement that the recipient has prepared a credible restructuring plan based on realistic assumptions that look to return the enterprise to long-term viability within a reasonable period of time.
- 2.63 In the case of a large enterprise, the recipient must make a significant contribution to the cost of the restructuring. The public authority must also be satisfied that the subsidy contributes to an objective of public interest, such as preventing job losses, or that the circumstances are exceptional.
- 2.64 Subsidies for restructuring ailing or insolvent enterprises are prohibited under section 20(1) of the Act unless certain conditions set out in section 20(2)-(5) are met. These are discussed in turn below.

Section 20(2)-(3) The public authority is satisfied that there is a restructuring plan which is credible, based on realistic assumptions, and prepared to ensure a return to long-term viability within a reasonable time period²²

- 2.65 We note that the Assessment states that the 2021 Restructuring Plan (as modified by the 2023 Modified Plan) has been further updated in 2025 to cover the costs of the IR35 tax liability and further extensions to the POHIT and the work of the

²¹ Statutory Guidance chapter 5.

²² Sections 20(2) and 20(3) of the Act.

Remediation Unit.²³ The Assessment states that DBT is satisfied that the 2025 update to the 2023 Modified Plan is credible, based on realistic assumptions and was prepared to ensure POL's return to long-term viability within a reasonable timeframe.

- 2.66 In our view, DBT has explained how it has satisfied itself that there is a restructuring plan that is credible, based on realistic assumptions, and prepared with the aim of returning POL to long-term viability. On that point, the Assessment helpfully refers to the 2025 update of the 2023 Modified Plan, that takes into account recent development related to POL's financial position.

Section 20(4) Contribution to the cost of the restructuring

- 2.67 The Statutory Guidance states that the Public Authority's support should be limited to the smallest amount necessary to make the restructuring possible.²⁴
- 2.68 DBT sets out that POL is a large-sized enterprise and has contributed significant funds to the costs of the activities within the Restructuring Plan as updated in 2025. DBT explains that this contribution has been funded by POL's operating activities and asset sales.
- 2.69 In our view, the Assessment adequately explains that POL has contributed to the restructuring costs to the extent its financial position allowed.

Section 20(5) The public authority is satisfied that it contributes to an objective of public interest by avoiding social hardship or preventing severe market failure.²⁵

- 2.70 The Statutory Guidance states that the Public Authority should be satisfied that the subsidy contributes to an objective of public interest by avoiding social hardship or preventing severe market failure.²⁶
- 2.71 The Assessment states that the Subsidy contributes primarily to an objective of public interest in avoiding social hardship by ensuring that financial redress is paid to affected postmasters. It also explains that the Subsidy will ensure the continued delivery of essential SPEI in the form of delivery of an important public economic interest service that is difficult to replicate.

²³ In its 26 March 2025 [Report](#), the SAU noted that POL could update the 2023 Modified Plan in order to support its explanation that DBT has satisfied itself that this plan continues to meet the requirements of section 20 of the Act. We note that this Assessment now refers to an updated 2023 Modified Plan, which addresses this previous evaluation.

²⁴ Statutory Guidance, paragraph 5.59.

²⁵ Section 20(5) of the Act.

²⁶ Statutory Guidance, paragraph 5.65.

2.72 In our view, the Assessment adequately explains how the Subsidy contributes to the objective of avoiding social hardship.

Section 20(6)-(7) Second restructuring subsidy within a five-year period.

2.73 The Statutory Guidance explains that generally restructuring support should not be given to an enterprise if it has previously received restructuring support on a different occasion in the last five years. However, if the public authority is satisfied that the circumstances that have led to the need for the subsidy were unforeseeable and were not caused by the beneficiary, a further restructuring subsidy may be given.²⁷

2.74 The Assessment notes that POL has been given more than one restructuring subsidy within the last five years. DBT states that a restructuring subsidy was given in 2023 on the basis of the 2023 Modified Plan and that this plan was further updated in 2025. DBT states that costs relating to the Remediation Unit and POHIT Inquiry have increased due to the complexity of remediation, the change from a non-statutory to a statutory inquiry, and broader changes in the POHIT Inquiry's timeline and scope. DBT notes that POL did not cause these, nor could they have been foreseen. Meanwhile, the IR35 tax liability arose primarily in connection with staff recruited in relation to the Remediation Unit and the Assessment considers that this was unforeseeable. Therefore, the Assessment considers that the requirements of the Act are satisfied.

2.75 In our view, the Assessment has set out the basis on which DBT has satisfied itself that the circumstances giving rise to the need for a further update to the 2021 Restructuring Plan and for a further subsidy were unforeseen and were not solely caused by POL. DBT should nevertheless consider whether there are any implications to their conclusion that the IR35 tax liability was not solely caused by POL.

2.76 DBT confirmed that no other requirements or prohibitions set out in Chapter 2 of Part 2 of the Act apply to the Subsidy.

10 March 2026

²⁷ Statutory Guidance, paragraphs 5.69 – 5.70.