

Green Home Finance Accelerator Discovery Phase - Evidence Report:

Decarbonising Homes with
Lifetime Mortgages led by Phoenix
Group

Phoenix Group
October 2023

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Disclaimer

The views and opinions expressed in this report are those of the authors and do not necessarily reflect the official policy or position of the government. The information in this report is provided for informational purposes only and should not be construed as an independent review of the project.

Executive Summary

Introduction, Aims and Objectives

Phoenix Group is predominantly a long-term savings and retirement business. We have been funding new Lifetime Mortgages since 2016 through partnerships with Key Group and LV, and in 2022, were the leading funder of new lifetime mortgage lending in the UK.

Phoenix is keen to support older, less affluent homeowners who are keen to make decarbonising home improvements. A lifetime mortgage could help finance the improvements but there are additional barriers older homeowners face which we are keen to understand and address.

The key elements of the project were to:

- Develop a partnership that can deliver an end-to-end customer journey including advice and installation of decarbonising home improvements and manufacture and distribution of lifetime mortgage products.
- Commission customer insight into the drivers and barriers older, less-affluent homeowners have in reducing the emission from their homes and garner feedback on potential solutions.
- Conduct a cost-benefit analysis to better understand the financial impact of different retrofit solutions and determine whether there is anything Phoenix is not willing to fund.
- Identify features of a proposition that Phoenix is willing to fund, that can help older homeowners make decarbonising home improvements.

The Discovery Phase project cost was estimated at £204,498 and received a grant for £102,249.

Key Challenges

Regulations

New consumer duty regulations came into effect in July 2023. The new regulations required further clarification of roles and responsibilities, and this resulted in Phoenix establishing more detailed processes to ensure that, not only are we not undertaking regulated activities, but also that we do not enter into activities that would deem us as having co-manufactured products. This has restricted our engagement in this proposition to researching funding opportunities after which we required a lender partner with the required permissions to take to market and own the customer journey.

Pilot Phase Lead

It was considered inappropriate for Phoenix to be the lead organisation for the Pilot Phase of the project. Our lending partner was keen to support a joint application for the next phase of grants but declined the opportunity to take the lead so we will be exploring this funding opportunity outside of the Green Home Finance Accelerator (GHFA).

Key findings from research and associated activities

Customer Insight

Scope

BoxClever Consulting carried out 16 in-depth interviews on our behalf and collected 500 responses from an online survey. Those interviewed were aged 60-80 and respondents to the survey were aged 55-85. All had a total household income <£50k/year.

Survey Results

39% of those surveyed that had made improvements to reduce energy consumption in their home, spent over £10k (the minimum initial advance for a lifetime mortgage).

Low tech solutions such as insulation and high-performance windows and doors are the most appealing improvements.

The main driver for making improvements was the financial benefit. Environmental concerns were a less significant motivation for most respondents.

Customer Insight: Interview Results

The potential to use lifetime mortgages as a source of funds had not been considered by those interviewed. It was acknowledged it could resolve the finance question, but the majority of participants were not keen on taking on debt in retirement which is typical of older homeowners surveyed about attitudes towards lifetime mortgages.

There was perceived to be a lot of risks and barriers associated with solar panels and air source heat pumps within the group interviewed. One of the challenges faced was where to turn to for advice. The amount of information available on the internet was considered overwhelming by many, and there was a clear desire to talk options through with an expert.

Due to the large range of risks and uncertainties, those interviewed were keen to use well-known established brands. Many of the companies specialising in installations and offering advice were not known and there was some scepticism over the motives of their recommendations.

Partner Selection

Prior to the project we imagined selecting partners would likely be based on KPIs and services offered. However, we soon realised that it was very important to partner with like-minded firms that shared a similar culture and way of working. Two firms were chosen to provide advice and installation services. Both are keen and demonstrate the qualities we are looking for in a partner.

Consumer Advice Channels

The target market for lifetime mortgages is 55+, with a typical customer aged 70. Customer insight suggested that this age group is keen to talk through their options and it was imperative that all of our partners were able to provide a telephony and/or video-conference (VC) service.

Key process learnings

A rigid closing date and pre-determined work streams and milestones gave the Discovery Phase the structure we would normally apply to the development phase of a project. In order to stick to the schedule, we did more preparation than we normally would before starting the discovery phase of a project. One work stream of particular concern was the formation of a partnership. We were keen to partner with other large organisations and were aware an agreement could take considerable time so started hosting meetings prior to the start of the project. Capacity of internal resources can also hold up projects so we ensured key stakeholders were aware that their time would be required. There were benefits to this approach, but it is unlikely we will be able to adopt this approach with many other projects due to the additional resources required.

Reflections on key outcomes achieved

Partnership

A key element of the project and one of the most challenging elements, was identifying partners to develop the proposition. We kept this simple by approaching firms that could provide a range of services that would be utilised. For firms providing installation services, we approached firms that could provide a nationwide service, advice over the phone and in person, and offer full air source heat pump packages including sub-contracting additional works such as external wall insulation. This simplified both the project and the customer journey.

Customer Insight

The customer insight delivered. It supported some of our assumptions about the barriers this cohort of homeowners faced. It also highlighted a number of issues, such as the importance of a telephony/VC advice service, and the benefit of recognised brands where there is a large financial decision and a broad range of risks.

Proposition: Funds released as required on an interest rate fixed upfront

Phoenix is keen to fund a proposition that will allow customers to fix the interest rate of the lifetime mortgage upfront but only release funds when needed. Typically, for a solar or air source heat pump package, a deposit is paid upfront and the remaining balance is paid post-installation. Repurposing an existing process for retaining funds will allow a borrower to release funds for a deposit upfront, then release funds for the post-installation payment at the same interest rate. This can be achieved with minimal changes to systems and processes.

Evidence Report

1. Product introduction

1.1 The problem, the proposition, and the audience

The Problem

Older, less affluent homeowners that are keen to make decarbonising home improvements face a broad range of barriers. A lifetime mortgage could help finance the improvements but there are additional barriers older homeowners face which we are keen to understand and address.

The Proposition

There were three elements identified to form the proposition:

Partnership

The partners selected are able to offer advice and installation services for a range of solutions. They also have telephony and VC services allowing homeowners to talk through their specific requirements and concerns.

One of the lenders we currently have a relationship with has confirmed support with origination and distribution. By a single firm providing both manufacturing and distribution services, homeowners will only need to deal with two organisations for the advice, installation and finance required to meet their needs.

Funds Released as Required on a Fixed Interest Rate

Phoenix is keen to fund a proposition that allows customers to fix the interest rate of the lifetime mortgage upfront but not incur interest until the funds are required. Our lending partner has agreed to amend their retention process to allow a borrower to release funds for a deposit upfront, then release funds for the post-installation payment at the same interest rate.

Cashback

Borrowers using a lifetime mortgage to pay for installation services through this initiative could also qualify for cashback. The results of our market research concluded that, out of 500 homeowners aged 55+ that have shown interest in green home improvements, 88% cited financial concerns as their greatest barrier to entry. Therefore, when considering the most appropriate incentive, cashback was preferred as it provides a tangible benefit in helping cover the costs of the installation.

Scope of Solutions

This proposition provides finance for most home improvement solutions that can be ordered through our partners. Boilers, however, will be excluded as they are typically not purchased by the homeowner as part of a concerted effort to reduce carbon emissions.

The Audience

In order to qualify for a lifetime mortgage, homeowners must be aged over 55. Borrowers must also live in mainland Great Britain to qualify for a lifetime mortgage from our chosen lending partner.

Cost

Borrowers would be offered the standard lifetime mortgage products offered by the lender. Interest rates currently range from 6.5% to 7.7% MER (monthly equivalent rate) and the mortgage advice fee is currently £599 (06/10/23).

1.2 Features that will address barriers to decarbonising home improvements

The proposition would offer:

- A simple, low hassle, end-to-end advice, installation and finance solution.
- A cashback incentive, funded by Phoenix, to help with the cost of installations (5% proposed).
- Funds to pay for solutions with no required monthly repayments.
- Advice and installation services from well-known brands.
- Personal advice over the phone, video conference or onsite.

2. General Scoping Research and Associated Activities

2.1 Initial research methodology, and research and scoping activities

The initial project was provoked by the Scottish Government's interest in the prospect of bringing together lifetime mortgage lenders and funders with organisations offering advice and installation firms. The project was slow moving and complicated by a lot of stakeholders and a large number of risks and considerations. We believed a simpler, UK-wide initiative with a small number of partners could provide to be a more viable approach.

The team has experience of green initiatives with lifetime mortgage lenders. We know that very few people were using lifetime mortgages to pay for decarbonising home improvements but were not clear about the reasons for this. One of the work streams therefore had to be customer insight, to better understand the drivers and barriers older homeowners were experiencing. As we were trying to understand risks and fears we knew the insight must involve in-depth qualitative research.

The Insights team provided a brief to two short-listed agencies that were considered to have the most appropriate experience and capacity. Each came back with a proposal and BoxClever was selected.

There were two elements to the proposal:

- Sixteen x 1 hour interviews
- 500 responses to an online survey

Once the grant was agreed, BoxClever prepared a screener and interview script. This was reviewed and amended by the Propositions and Insights teams at Phoenix to provide a subject-matter expert and technical perspective.

Lifetime mortgages are the products we are most comfortable investigating and most knowledgeable about. We also believe some older homeowners feel excluded from improving their homes and it is something that should be tackled.

When considering whether to exclude certain solutions, we reviewed the partners' propositions. Boilers are usually bought to replace existing boilers with the environmental impact playing no part in the decision to purchase. It therefore felt appropriate to exclude them. The inclusion of electric vehicle (EV) charging points was discussed, and it was decided they should be included within the proposition as the homeowner was making an effort to reduce their carbon emissions.

2.2 Solutions currently available

Customers can currently use a lifetime mortgage to pay for decarbonising home improvements.

The innovations are:

- The release of funds at two points for a deposit and final payment at an interest rate that is fixed upfront.
- Cashback to support with the cost of the solutions (5% proposed).
- An end-to-end referral service between partner firms that removes a lot of "the hassle" for homeowners.

2.3 Scoping research findings

Prior to the project, we had found that the market for customers using lifetime mortgages to finance a retrofit was small. There are a broad range of barriers for people of all ages but for older, potentially more vulnerable people, these barriers can be more intimidating.

Some lenders offer interest rate discounts as part of green initiatives, but an interest rate discount only offers a benefit if the mortgage provides a market leading rate.

The customer insight found that the majority of older homeowners have an aversion to debt in retirement. Out of 16 interviewed, only one was seriously interested in using a lifetime mortgage to decarbonise their home. This means that despite choosing large firms to form the partnership, the number of customers looking to take advantage of the proposition would be small.

Any incentive that would help with the cost of a retrofit would be welcomed. Many thought the Government should do more to help with the cost of decarbonising their home.

Knowing where to turn to for expert, bespoke advice is an issue amongst respondents. Suggestions of energy companies and organisations such as The Energy Saving Trust

were well received but are not currently being used to their full potential. Our survey revealed that despite 72% of respondents stating that government websites would be a source they would likely use, 36% actually used it when researching green home improvements.

The main driver for customers to take an interest in retrofitting has been increasing energy bills. A decrease in interest rates would generate more demand for lifetime mortgages generally, including those looking to retrofit their home. An increase in Government grants would also generate an increased interest in retrofitting. In fact, 48% of those surveyed said they would use government grants if funding were to improve in future, while 30% of those with financial concerns were worried that they may not be eligible for grants.

2.4 Key consumer lessons learnt and research findings

Demand for lifetime mortgages to pay for non-essential costs is very strongly linked to interest rates. Current interest rates mean demand for the proposition will be limited even with good access to potential customers. At current interest rates, projections for the proposition are around 12 customers per month.

Partnering with large firms will help generate demand for the proposition. Restricting distribution to only a lender's distribution channels to access the market would lead to low exposure and demand.

The customer research focused on 55-85 year-olds that had an interest in decarbonising home improvements. For most, the key trigger for retrofitting is financial. High energy costs were a significant concern and the impact it was having on disposable income. Environmental considerations were in most cases a secondary concern but there were some for whom this was the driving factor. There were also several other triggers such as making their home more comfortable in winter, spending on big items before retirement, renovating a property, friends and family influence and promotions for schemes and grants. Understanding the barriers older people face was also a key element of the research.

Survey findings are summarised in Figure 1 below.

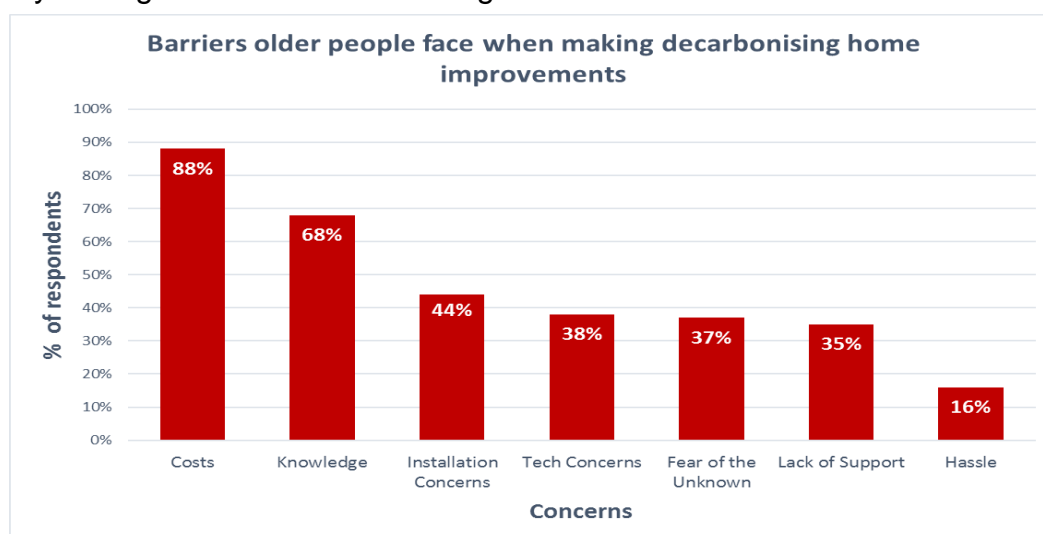


Figure 1. Graph displaying the greatest concerns/barriers to entry for 500 respondents surveyed and the % of those that shared that concern.

Our research focused on older people with household incomes <£50k. In this group, the largest barrier was financial but there was a significant aversion to taking on debt in retirement. A younger audience with higher incomes, may be more willing to take on debt and be more receptive to a finance product for retrofitting but this cohort of homeowners would be too young for a lifetime mortgage.

2.5 Challenges and barriers relating to the cost of living and energy price crisis

High energy prices are a significant driver in efforts to reduce energy consumption at home. However, high interest rates mean demand for interest bearing finance products to pay for the improvements is low. This includes lifetime mortgages where no payments are required but the loan balance increases much more rapidly than in a low interest rate environment, due to the impact of compound interest.

2.6 How did the project account for these challenges and barriers?

Demand for lifetime mortgages to pay for decarbonising home improvements was expected to be a relatively small. Increases in interest rates meant that it was important to tap into other significant routes to market. The option to partner with large companies became an essential piece of the proposition in order to increase the visibility of the proposition to homeowners that are interested in decarbonising home improvements.

2.7 Is there scope to expand the product to other customer segments at a later stage?

There are a number of factors that determine whether a customer is eligible for a lifetime mortgage. Borrowers must be homeowners, living in their main residence, and over 55. Currently, lifetime mortgages are the only type of new lending Phoenix are funding so expanding to a broader audience is not currently a viable option.

3 Relationship and Partnership Building

3.1 Knowledge and relationship development

Initially we reached out to firms that had connections to the Green Finance Institute. However, the limited range of services they offered meant partnerships would be quite complex and high risk.

Once we realised that companies which offer a range of advice and installation services would be a better fit, we reached out through a combination of LinkedIn and email. Once an interest was confirmed, we set up Teams calls. The two new partners were in very different positions. One was participating in the GHFA through another project and had investigated lifetime mortgages thoroughly. The other had low-level

awareness of lifetime mortgages and was not familiar with the GHFA. Because of this, the content of the meetings was often very different.

There were a number of firms that reached out through the GHFA matchmaking digital platform. We met up with a couple of the firms, but we did not find any that were the right fit for this proposition.

3.2 How will the relationships support future delivery?

Two large firms were selected for solution advice and installation services. A firm we have an existing relationship with was selected for lifetime mortgage manufacturing and distribution.

Phoenix is keen to fund the proposed proposition and would like to utilise the relationships that have been built. As a single grant applicant, we were aware that we were the only firm that had matched funding for the work so did not lean on other partners too much. The partners providing home improvement advice and installation, provided a lot of information about costs and saving of different solutions on their website. They also provided us with additional information about potential savings of additional solutions such as external wall insulation and the potential impact on property values.

3.3 How has knowledge sharing been managed between any partner organisations?

We applied as a single applicant but during the project we generated a new partnership. Non-disclosure agreements were put in place before confidential information was shared between partners.

A face-to-face workshop was hosted with two partners to run through the requirement of the grant application, the role we would play and the limitations we would have to abide by.

A similar workshop with the third partner was postponed due to uncertainty about progressing to the next phase of the GHFA.

4. Finance Product Research

4.1 Key activities undertaken in the design and development of the green home finance product

Phoenix's Role

Phoenix focused on understanding the barriers older homeowners faced and whether there are additional features of a proposition that we are willing to fund. Designing the product will be the responsibility of our lending partner in the next phase of the project.

Fixing the interest rate and releasing funds at two separate dates

A drawdown product enables the customer to draw funds when required but this can result in a change in interest rates between drawdowns. A customer could also take a lump sum mortgage to pay for both the deposit and final payment, but this would incur interest before the funds were needed. Finding a solution was not essential but something we felt we should consider.

We approached specific stakeholders with the issue, rather than hosting a workshop:

- The Pricing Team's initial feedback was that a hedge to allow the completion of the mortgage to align with the payment for the installation, would potentially be expensive and not practical. The proposed alternative was a three-month interest rate holiday as a more cost-effective alternative.
- The Underwriting team considered the proposal and suggested re-purposing the retention process could be palatable and provide a better solution. This approach was then circulated to stakeholders for approval.

Cashback

The benefits of using cashback as an incentive was clear and borrowed from other projects. The only things to be decided were the parameters. There is a question as to how effective this will be as an incentive, so the Finance team were keen to launch this as a pilot with a capped budget. A budget was chosen that was considered appropriate. Projections suggested it would last more than 12 months and illustrated to partners our support for the proposition. The Pricing Team assessed the impact on margins of cashback. 5% was chosen for the concept as this was considered to deliver a worthwhile incentive for the borrower and delivered an acceptable impact on income.

4.2 What were the key finance product related lessons learnt/research findings in the Discovery Phase?

The market for lifetime mortgages is less than half of that in 2022. Demand from those using the funds for discretionary spending has significantly dwindled. This means demand for this proposition will remain low if high interest rates prevail. There is no direct impact on the proposition but selecting a launch date once interest rates have eased, could lead to more assured demand.

4.3 Additional findings of market research

We commissioned BoxClever to undertake 16 in-depth interviews and an online survey with 500 respondents. Those interviewed were aged 60-80 years old. Those surveyed were aged 55-85 years old. All had a household income <£50k.

Attitudes Towards Finance

There was an aversion by most to any kind of debt product in their retirement. When the features of a lifetime mortgage were explained there was a little interest but only one of the 16 interviewed expressed a serious interest in using a lifetime mortgage to pay for solar panels or an air source heat pump.

Incentives

BoxClever tested opinions on a variety of features to see what could potentially take them over the threshold and progress with a retrofit.

- Cashback was considered a nice gesture and could help depending on the amount offered.
- A market leading interest rate would not be a significant incentive but a 0% plan could be.
- A grant to cover a proportion of the cost generated more interest.

Enabling Investment in Green Technology

The research found the key enablers were:

- Expert advice
- Simple end-to-end customer journeys
- Grants
- Recognised brands for advice and installation
- Easy to use information hub including real life scenarios and calculations
- Guarantees

Trigger Points

- The overriding driver from those interviewed about their interest in retrofits, was financial. Increasing energy bills and inflation generally has led to a reduction in disposable income.
- The second most widely acknowledged trigger was the environment. Some noted wanting to leave a positive environmental footprint as their legacy, others were affected by news about the impact of climate change.
- There was a broad variety of other drivers. Some were keen to improve their homes before retirement, some were reacting to friends and family, others wanted a warmer home in winter.

4.4 Key regulatory considerations that needed to be addressed

New consumer duty regulations came into effect in July 2023. The new regulations required further clarification of roles and responsibilities, and this resulted in Phoenix establishing more detailed processes to ensure that, not only are we not undertaking regulated activities, but also that we do not enter into activities that would deem us as having co-manufactured products.

It was decided that the referral process would lean on existing Financial Conduct Authority permissions held by each partner. Signposting is likely to be used rather than regulated introductions as this will better segregate responsibilities between firms.

5. Advice and Information Research

5.1 Approach to the provision of retrofit advice

Initially we looked to include advice on decarbonising homes from either a public sector organisation or utilise a tool that could be hosted on the lender's website. However, by the time the Discovery Phase started we had decided that partnering with

large companies that can provide both advice and installation services was the best solution for our proposition.

5.2 Why was this approach selected? Were other solutions considered/explored before or during Discovery?

We were looking for a simple customer journey that reduced the number of organisations a customer would need to engage with. We were also aware that the installation company may provide contradictory advice to any previous advice given.

5.3 Research findings about consumer preferences relating to advice and information

There is a preference for a one-stop-shop where consumers can get advice on decarbonising their home and arrange installations.

The cohort sampled wanted advice and installation services arranged through well-known brands. They also wanted the advice from organisations with expertise in the field rather than a financial services company.

72% of those that were yet to go through the retrofit process said they were likely to use government websites for advice but only 36% that had carried out the work actually did.

Similarly, 69% said they would use environmental organisations websites such as the Energy Savings Trust but only 41% that had been through the process actually did.

5.4 Research findings about advice and information provision integration with the finance product

There is a need to simplify the end-to-end customer journey. With this in mind a growing number of mortgage lenders have started offering tools to support customers that are interested in decarbonising their homes. Whilst customers want clear advice from trusted brands, they also want organisations that are considered experts in their field to provide the advice. However, there is potential for advisers of financial products to work more closely with organisations that advise on decarbonising home improvements including providing referrals where appropriate.

5.5 Research findings about utilising a bespoke advice provision or signposting a third party's advice

Homeowners prefer to get advice from experts in their field and trusted, well-known organisations. This could include Government advice services but there is also a need for a smooth, simple customer journey that does not add to any doubts and fears. Where Government websites are being recommended, navigation needs to be easy and care needs to be taken that advice includes caveats, that installers may suggest alternative solutions.

6. Verification Methodology Research

6.1 Proposed approach to the verification and quality assurance of retrofit installations

The partners selected provide post-installation site visits. In addition, all installations are either by MCS or TrustMark accredited installers and receive either a one or two-year guarantee.

6.2 Information that informed verification and quality assurance decisions

The Phoenix Underwriting team were keen to check the accreditation held by the installers and the guarantees provided for the works. The current quality assurance provisions satisfied their needs so no new processes were required.

The customer insight did not affect the quality assurance elements of the proposition but it suggested consumers were not aware of the guarantees available for the installations and products.

7 Future Plans for Green Home Finance

7.1 How will lessons learnt feed into further development of this or future green finance products?

We have discovered two new partners that have a similar culture and outlook and we are keen to work with. We have also identified elements of a proposition we are willing to fund. The combined proposition addresses a number of the barriers that older homeowners face in making decarbonising home improvements and has a route to market that could generate a meaningful flow of customers once interest rates ease.

We were fortunate that the research not only supported some of the initial beliefs but also identified additional benefits that we had not considered, such as the advantage of well known, established brands where a homeowner is making a significant financial decision that involves a broad range of risks.

7.2 How will lessons learnt be applied to your organisation's approach to developing green home finance products?

We saw benefits in spending more time and taking a more structured approach with the discovery phase before entering into development. There are elements of this we may be able to incorporate into future projects.

Attracting new partners has been a better experience than expected. Our new partners appear to have a similar culture and mind-set to ourselves which has proved very valuable. For future projects we will look to prioritise culture and strategy more when choosing partners.

7.3 How will learnings from this programme be disseminated?

The outputs of the project are being shared in monthly department meetings and newsletters. An article will be published on the Intranet once the project has finished.

The reports produced by BoxClever have both been approved for sharing on the GHFA resource hub and have been shared with our partners; please see Annex 1.

7.4 Key challenges for the future development of this green home finance proposition.

Interest rates - Current interest rates are stemming demand for lifetime mortgages used for discretionary spending and will affect this proposition.

A reduction in interest rates is not essential to progress with this proposition but it would improve demand.

8. Annex 1 – BoxClever Research attached.





boxclever

Decarbonising homes with lifetime mortgages

Phoenix Group

Integrated debrief

August 2023

What this report covers

1 | Background, objectives & approach

2 | Green improvement adoption & consideration

3 | Seeking information & advice

4 | Motivations & barriers to green home improvements

5 | Reviewing potential features & benefits

6 | Funding green home improvements

7 | Reactions to Lifetime Mortgages

8 | Way forward

1 |

Background, objectives and approach



Background

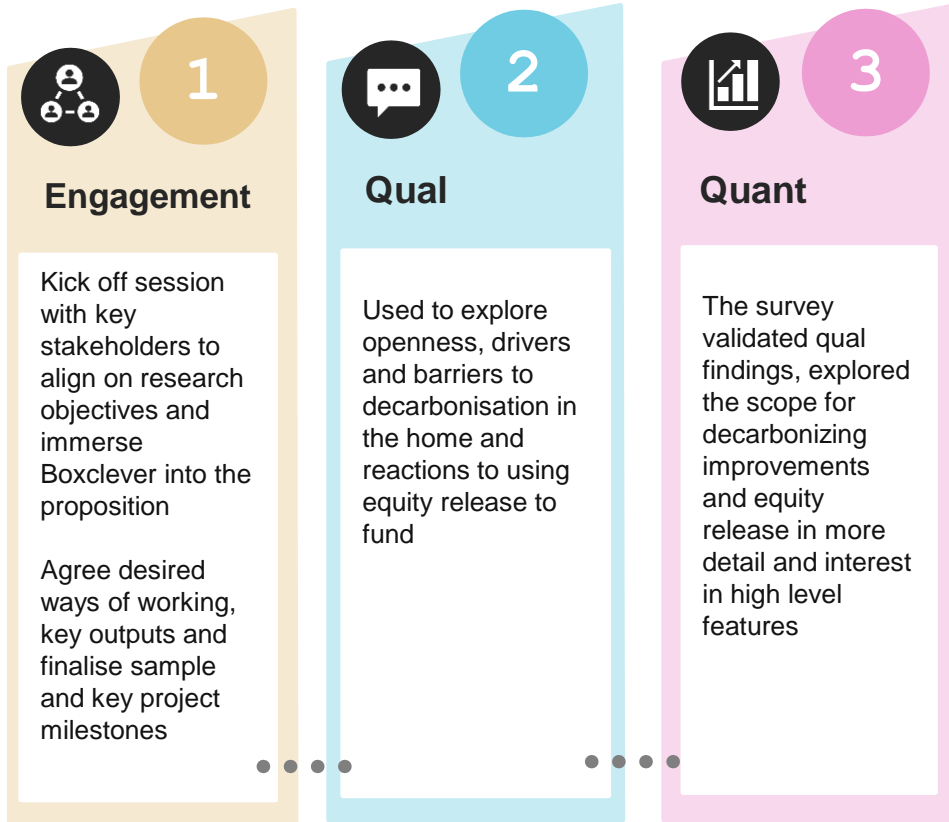
In response to the government's target of becoming Net Zero by 2050, Phoenix Group are exploring the potential role for an equity release mortgage product, aimed at supporting older people make decarbonising home improvements

We need to help Phoenix understand the consumer appetite, response and barriers that may exist to considering this type of proposition.

The research will help Phoenix understand the market and their needs and provide clear direction on how to develop the proposition in order to maximise its appeal



Approach summary



We conducted 16 x 1hr Zoom led interviews with the following consumers...

Respondent	Stage of upgrading the home with green technologies	Other specifics
1-4	Aware and interested, but have done nothing more	<ul style="list-style-type: none">• Mix of reasons for wanting to install green technologies (including those whose main driver is eco concerns vs financial benefits/lower bills)• All aged 60-80 but with the majority a good mix of 65-75yr olds• Mix of marital status and dependants• All homeowners with or without a mortgage• All live in a bungalow, semi-detached or detached house• All lower income/affluence• All to be sole or joint financial decision maker in the household• Mix of gender
5-8	Have done some light research ((talking to people, looking at information, exploring possible products or solutions)	
9-12	Have done some more serious research (exploring the costs involved, and speaking to possible providers)	
13-16	Have bought/installed solutions previously, interested in adding more/doing more	

We then conducted a 15 min online survey with the following consumers...

Method

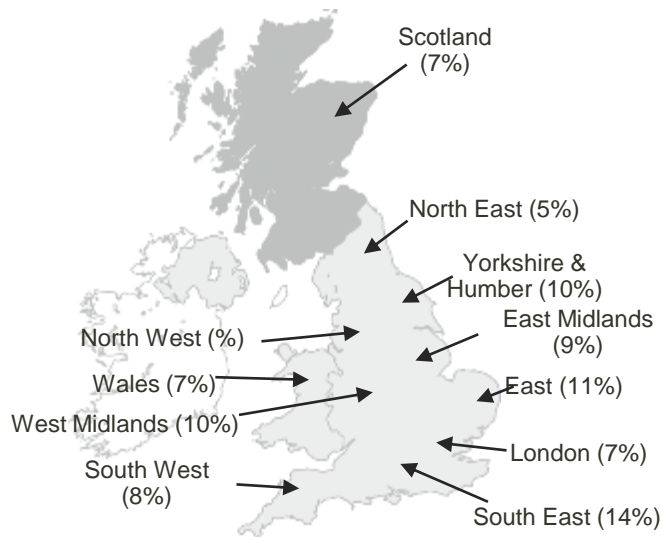
15-minute online survey

500 interviews with sample of UK homeowners (excl. flat / apartment / listed building) aged 55-85

All to be interested in environmentally-friendly home improvements

All to be sole or joint household financial decision makers

Sample



AGE

55-64yo (41%)

65-74yo (41%)

75-85yo (18%)

GENDER

Female (44%)

Male (54%)

HH INCOME

<£30K (44%)

£30K-50K (31%)

>£50K (20%)

HH SAVINGS

<£25K (29%)

£25K-£100K (26%)

£100K+ (27%)

WORKING STATUS

Fully retired (60%)

Semi-retired (4%)

Working full time (14%)

Working part time (9%)

Other (13%)

HOME OWNERSHIP

Own mortgage (15%)

Own outright (85%)

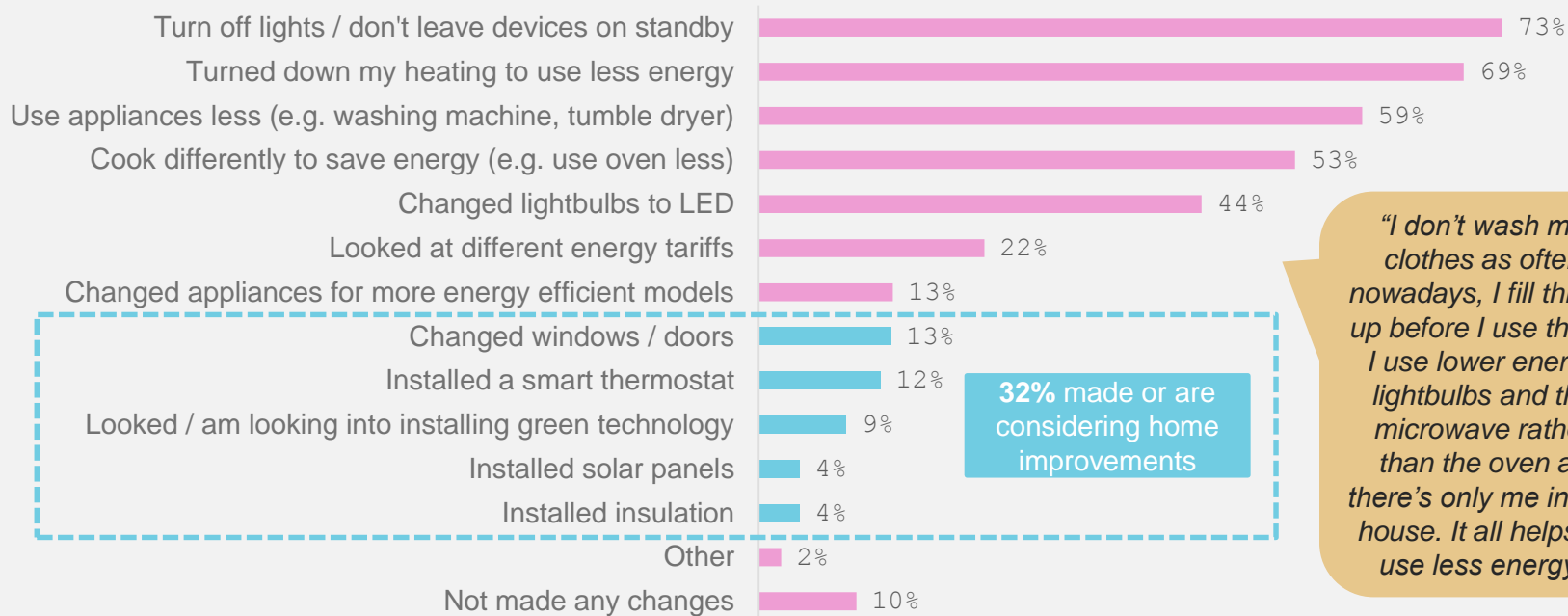
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Green improvement adoption & consideration

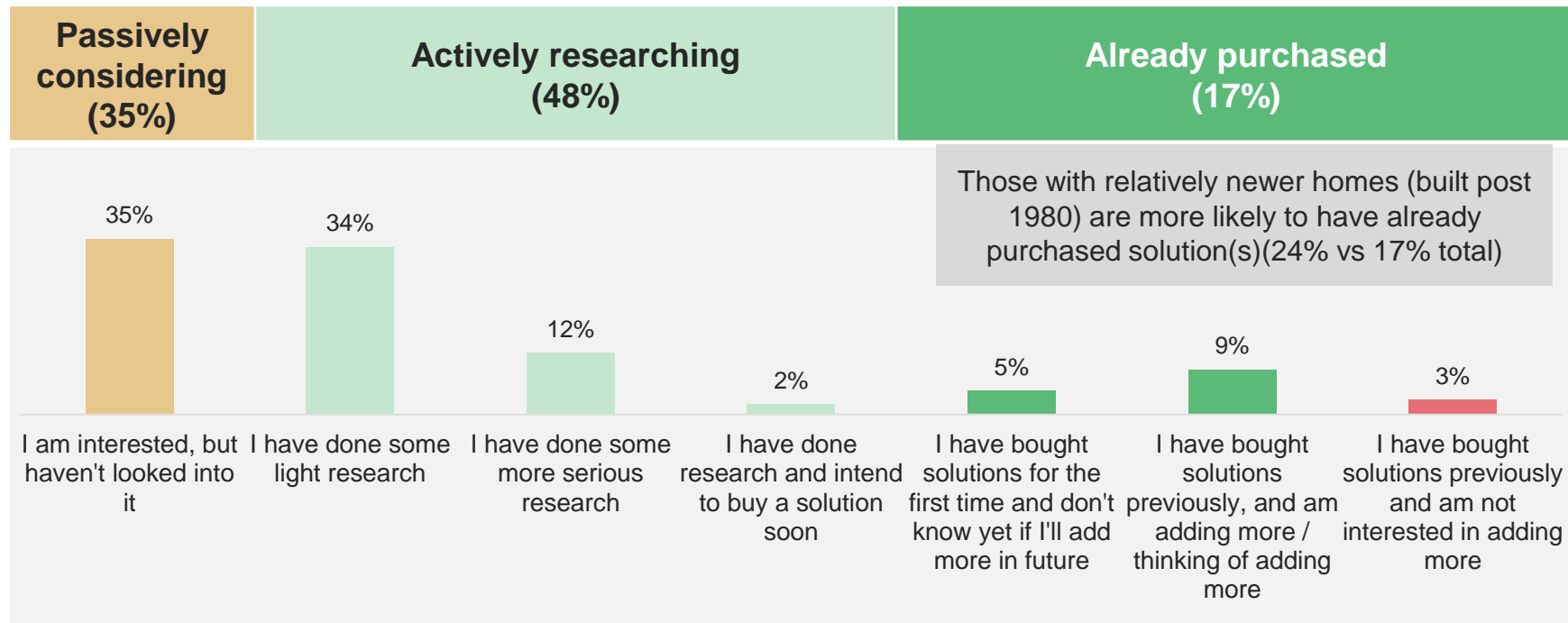


Higher energy prices have encouraged a minority to make larger home improvements but for most, the changes have been small, everyday tweaks

CHANGES MADE SINCE 2021 DUE TO INCREASES IN ENERGY COSTS (% SELECTED)

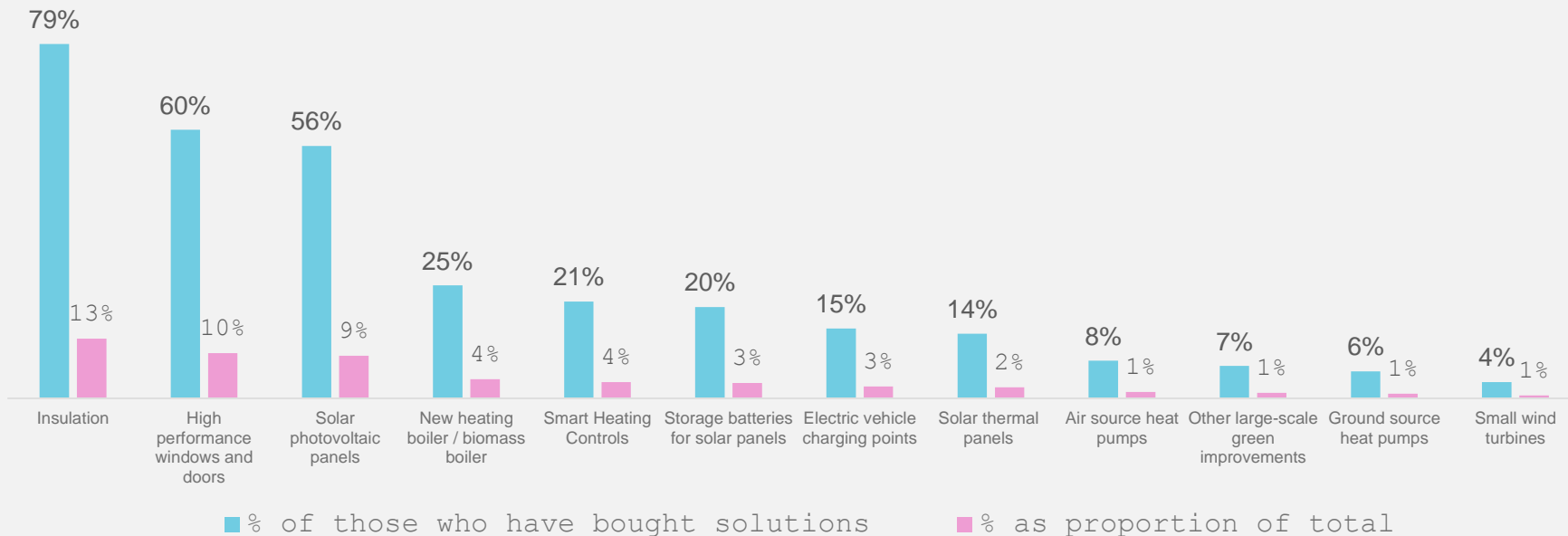


For larger green home improvements, 1 in 6 have bought solutions, but most are still much earlier in the journey and yet to embark on active research



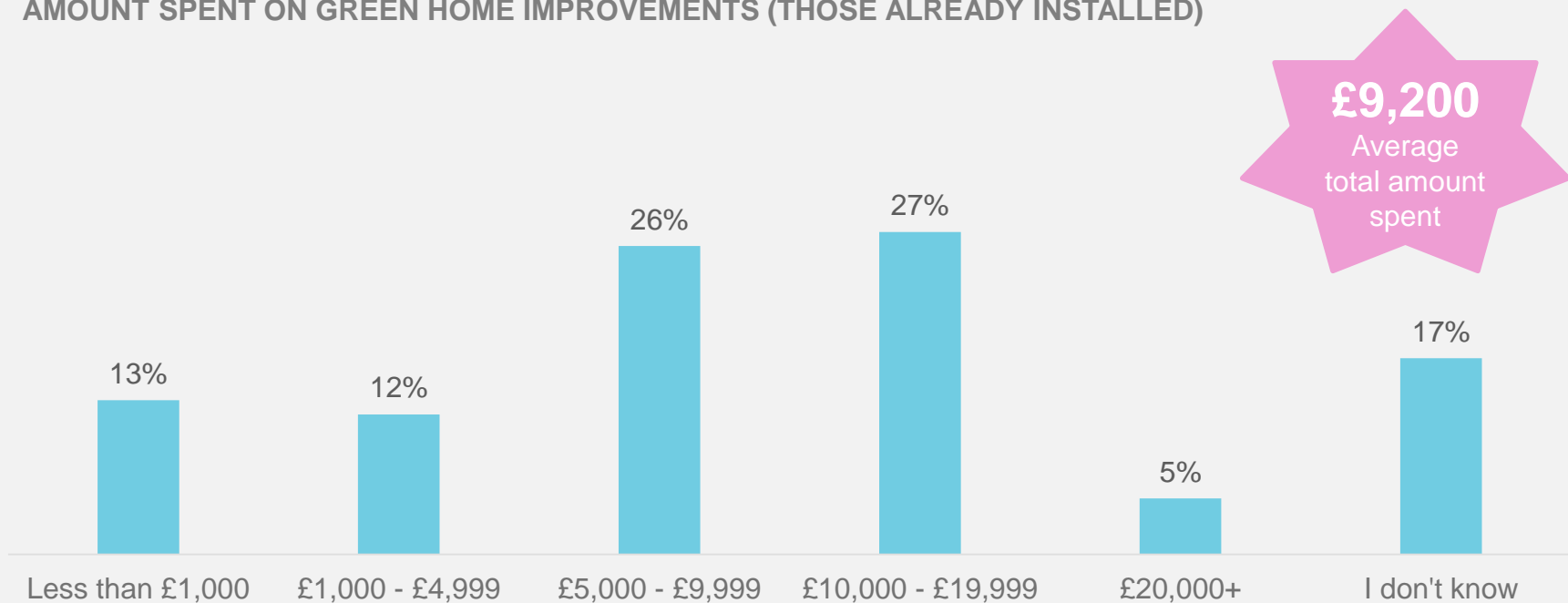
Those who have made home improvements are most likely to have installed insulation, high performance windows/doors and solar panels

GREEN HOME IMPROVEMENTS INSTALLED (% SELECTED)



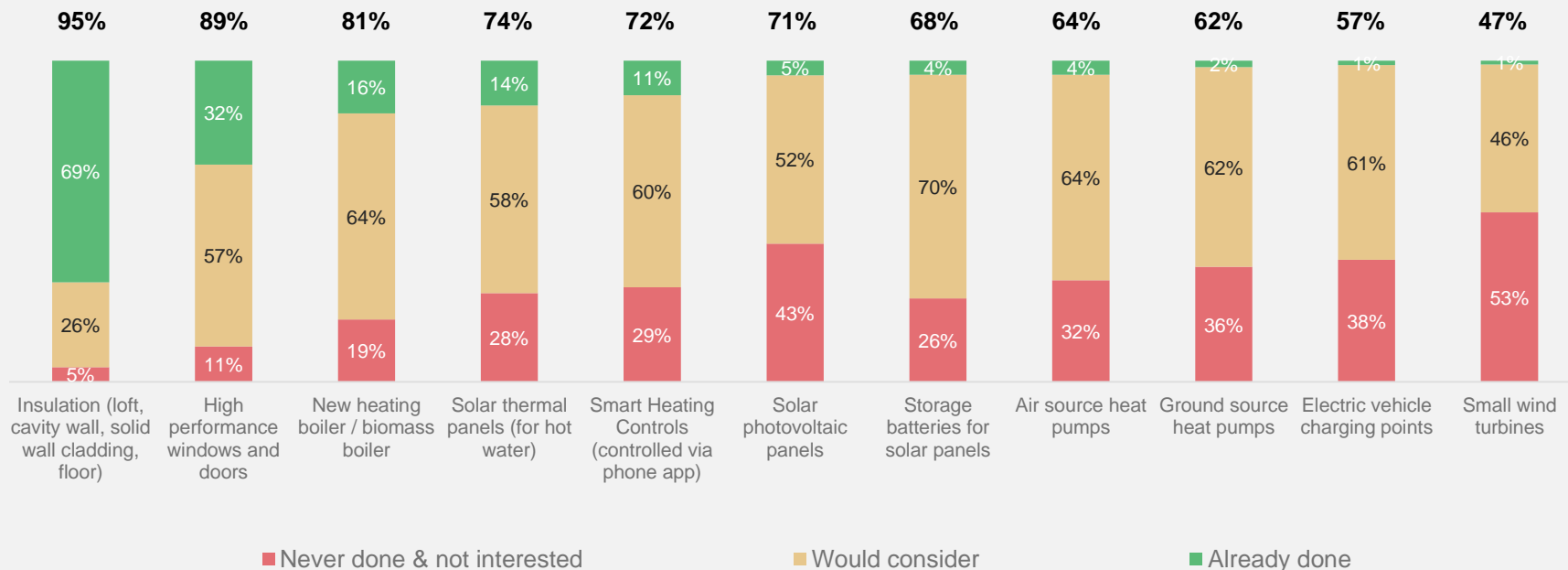
Those who have already made home improvements spent £9,200 on average

AMOUNT SPENT ON GREEN HOME IMPROVEMENTS (THOSE ALREADY INSTALLED)



When thinking about the future, there is interest in a wide range of green solutions, notably insulation, windows/doors and new boilers

INTEREST IN SPECIFIC TYPES OF IMPROVEMENTS (% SELECTED / % NET TOTAL INTEREST)



3 |

Seeking information & advice



Government Websites and Energy/Environmental Websites are the most top of mind, useful resources to refer to during the researching stage

TOP 6 INFO / ADVICE SOURCES LIKELY TO USE VS ACTUALLY USED FOR GREEN HOME IMPROVEMENTS

72%

**think they will use
Government websites**

**36% actually did when
looking**

For those who are yet to start their research, perceptions the government site is a good first port of call to find information on grants available

In reality, so many sources of online information means an initial google search or advice from friends/family member may easily take you elsewhere

69%

**think they will look at
Energy/ Environmental
Organisations' websites**

**41% actually did when
looking**

Consumers are looking for independent source during their initial and more detailed research to gain an honest view of the marketplace that they can trust

Energy/environment organisations such as Carbon Trust or Energy Saving Trust are perceived to offer this reassurance – no ties or hidden agenda

Martin Lewis plays an important role and whilst many envisage turning to Energy Providers, in reality, they do not

TOP 6 INFO / ADVICE SOURCES LIKELY TO USE VS ACTUALLY USED FOR GREEN HOME IMPROVEMENTS

68%

think they will use Martin Lewis/MSE websites

36% actually did when looking

Desire to seek impartial view of the marketplace from a credible source that is trusted and well known: Martin Lewis often top of mind for all things FS and can be habitual behaviour for some to check his expertise/viewpoint first

However, further down in Google search results when seeking advice – other sources may be more relied upon by majority

62%

think they will look at Energy Providers

13% actually did when looking

Perception or experiences of very little advice found on investing into large scale greener home initiatives from energy providers – instead, advice tends to focus on smaller changes consumers can all make around the home

Perceived as useful but most have already implemented such changes

Many envisage referring to manufacturer's websites and installation companies but often, this comes later, or is decided for them

TOP 6 INFO / ADVICE SOURCES LIKELY TO USE VS ACTUALLY USED FOR GREEN HOME IMPROVEMENTS

52%

**think they will use
manufacturers
websites**

**19% actually did when
looking**

47%

**think they will look at
installation companies**

**17% actually did when
looking**

Once research has started, most decide they are reluctant to go too far online – instead, various websites are used to build a basic understanding before switching to a more in-depth channel

Most prefer to speak to manufacturer/installer over the phone or face to face to discuss decarbonising the home products in more detail

Some consumers tell us the choice of installation company is out of their hands if they have opted to use a grant – the grant often selects the installer or offers a choice to select from

4 |

Motivations & barriers to green home improvements



When explored qualitatively, numerous triggers can prompt consideration of potential energy efficient solutions



Environmental factors

- Seasonal change: winter can encourage these type of discussions
- Seeing the effects of climate change on the news – it all feels very real and an imminent concern
- Aware their house is old and inefficient – house gets cold quickly; doesn't retain heat

Economic factors

Higher energy bills than ever before – concern of 'who knows how much they could increase by'

Lifestage factors

- Getting ready for retirement: desire to maintain/upgrade areas around the home
- Divorce/death: shift in responsibility prompts need for low level maintenance options that are also energy efficient
- Renovation prompting review of solutions around the home: builder may also prompt suggestions

Societal factors

- Friends/family/neighbours putting in place energy efficient solutions: ability to physically see it, receive unfiltered reviews, lean on their experiences, ask questions, get honest views
- Awareness of local authority schemes/grants and seeing these are free/subsidised/ endorsed
- Seeing adverts on different solutions

For those who have already made home improvements, the main motivation was being in control and retaining the heat used within their homes

79% to reduce energy bills

67% to make home more energy efficient



"It's about making sure what already comes into my home stays there and doesn't 'leak' out, so insulation is the key thing we did"

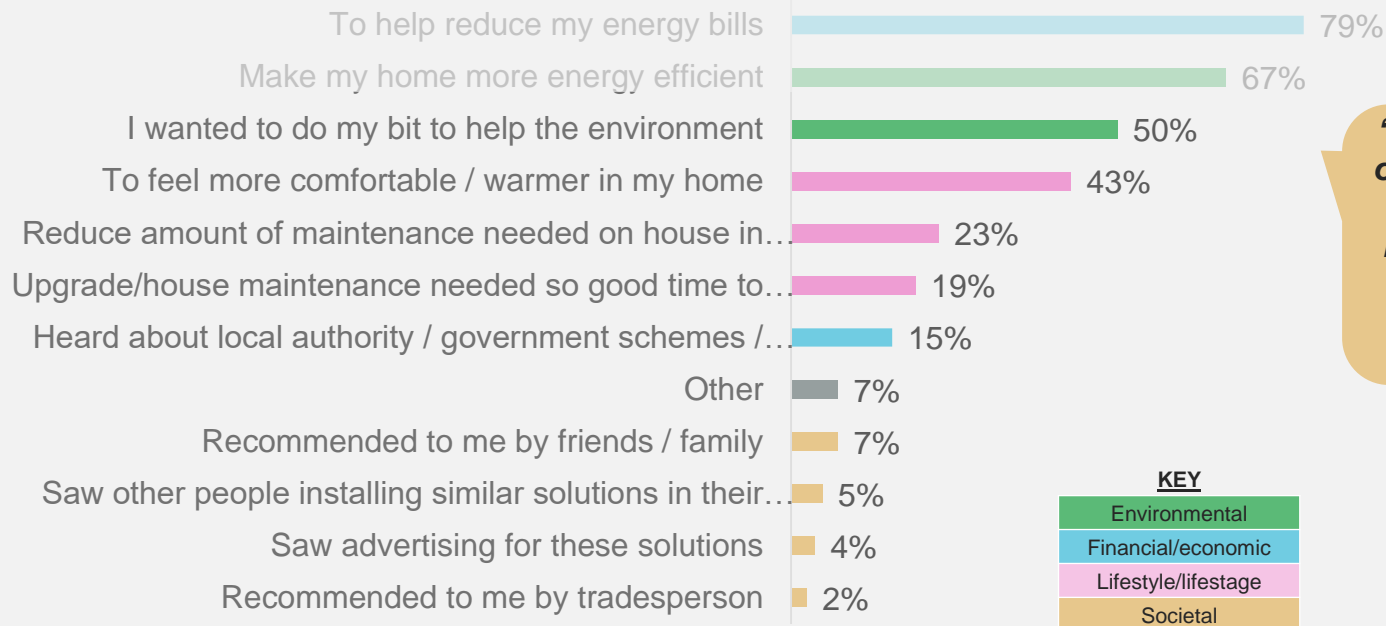
"We got HIVE. The main benefit was ease and convenience of controlling the heat at the touch of your fingertip"

"I wanted to save money and improve the overall efficiency of my home"

"I've got HIVE; it came with the new boiler. I like it because it makes it easy to control how warm my house is"

Other motivations for having made green improvements were doing their bit for the environment and making the home more comfortable

MOTIVATIONS FOR MAKING GREEN HOME IMPROVEMENTS (% SELECTED)



“We’ve changed all of our windows and doors so they’re high performing, it helps to keep the heat in more effectively”

Bringing to life 'already purchased' green home initiative(s) consumers

Janet, air source heat pump purchaser, driven by environmental benefits

Meet Janet, 74 yrs old, retired, lives alone.

Lived in her current home for 4 yrs. Doesn't have access to natural gas in her area so was looking for another solution to using LPG given increases in price and desire to be more energy efficient



Ultimately purchased an air source heat pump via a government grant.

Spoke to friend in local council who made her aware of the grant. Neighbours also had them installed so could share first-hand experiences and answer questions



Primary motivations were to become 'greener' in the home – already enforces several approaches to use less energy around the home

She was prepared to be greener in her approach for a slightly higher energy cost



Grant took over a year to come through which was very frustrating. Long paperwork trail and numerous 'hoops to jump through'

Key optimisation to process would be to experience a streamline service with clear timelines upfront

However, there are a multitude of barriers to overcome, presenting a significant challenge for Phoenix



Financial concerns
88%



Lack of knowledge
68%



Installation concerns
44%



Technology concerns
38%



Fear of unknown
37%



Lack of support
35%



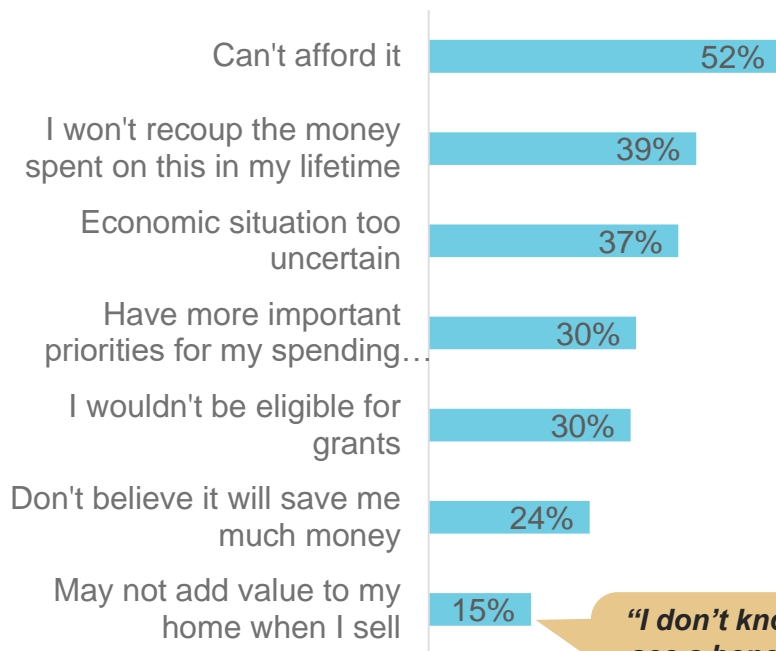
Hassle
16%



Environmental skepticism
7%

88% have financial concerns which form the biggest barrier; they cannot justify the investment for several reasons

Financial concerns



We can further build on some of these barriers...

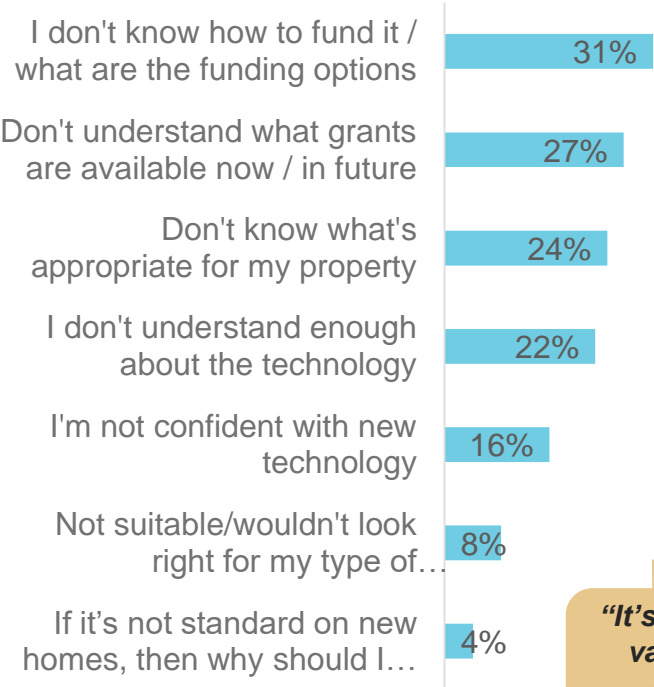
- Some unaware of grants available and the proportion of costs they will cover. In addition, can't justify taking money out of savings
- More important priorities for their savings: protecting them and their children's future is the priority
- Unsure how long they will live for to reap the benefits: perception of several years to see real cost benefits
- Unstable current climate creates worry and doubt: unsure if bills will continue to increase
- Some question or aware they are not eligible for grants: household income too high to qualify
- Unsure of exact monetary difference home improvements will make: perception no 'hard facts'

"I don't know how soon you'd see a benefit. I've heard solar panels takes years to make a difference to your bills"

"People are sick of being lectured about net zero, especially when we can't afford it. There's bigger fish to fry like looking after our children and grandchildren"

68% have a lack of knowledge; they don't yet understand or know enough about where and how to start the process

Lack of knowledge



We can further build on some of these barriers...

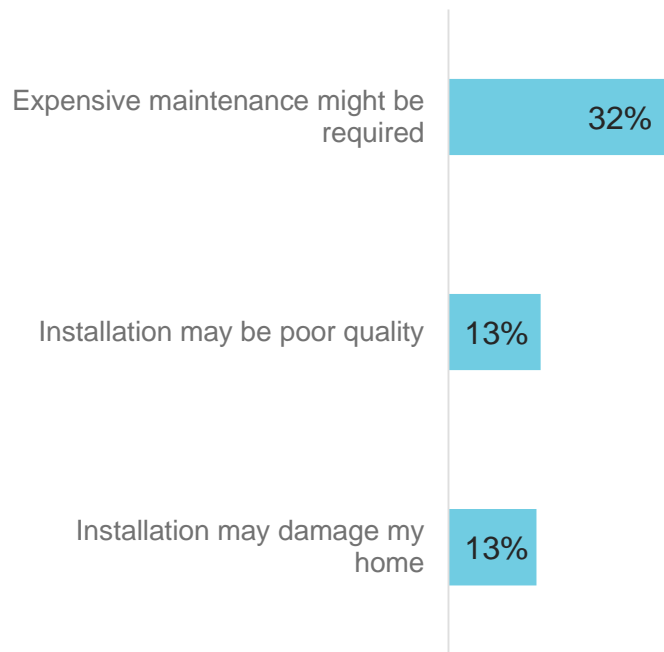
- Overall lack of awareness and knowledge of grants available and how much of the costs they'll cover
- Some are nervous that grants may easily change so reluctant to start the application process
- Limited awareness, knowledge and confidence levels of the different solutions available – unsure what's best for their home and why, which solution will make the biggest difference to them, where is it best spending the money, and if certain solutions are possible for their house type
- Looking for personalised recommendation from trusted/independent source on what's best for their home and why
- Question if better to wait as tech becomes more mainstream/developed

"It's hard to find out about all the various schemes and grants. Unless you look for it, the government won't tell you about it"

"Every house is different, so you want an inspection of your own house and tailored options just for you"

44% have installation concerns; consumers are unsure who to trust and what to do if any issues arise

Installation concerns



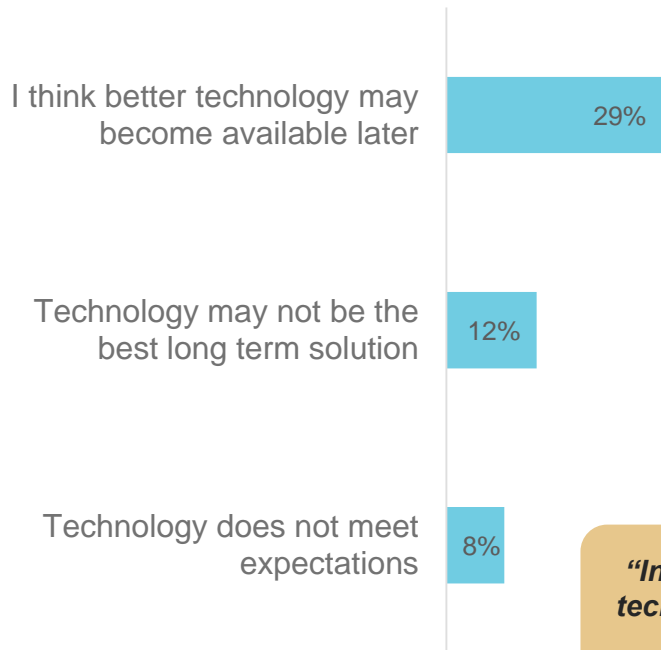
We can further build on some of these barriers...

- Aware of numerous companies providing installation but often know nothing about them: difficult to know who to choose, how to choose, who can be trusted, who is credible, etc
- Concerns re. what they would do if installation goes wrong and run into problems – who do they hold accountable and what if the company goes bust?
- Concerns on how they manage the potential maintenance – what will be required, who takes responsibility for this, who do I turn to, how do I organise it, what will this cost me and how often will I need to pay for regular maintenance checks
- Desire to find customer reviews, but often sparse and unsure if they can be trusted and if they're from credible source
- Ultimately, lots of questions and areas to be reassured on to fully trust the process

"There's so many installers, who do you trust? All the companies are small, so you don't get a sense of what their reputation is. It's just a handful of customer reviews here and there"

38% have technology concerns; some consumers question if better technology may become available if they wait it out

Technology concerns



We can further build on some of these barriers...

- Belief that the current tech available is still very new...and if they bide their time, there'll be advancements in tech, meaning a better solution for them long term
- Reluctant to install based on current tech if it will quickly become out of date – worry their solution will be less efficient and harder to repair/update if newer tech comes to market
- Perception that as exposure and experience grows, advancements in tech will happen
- In addition, perception that tech tends to get cheaper the more mainstream it becomes so worth waiting for prices to come down

"In 5 years', there will be better tech available, so I'll maybe wait until then"

"I'm not convinced that the solutions we have now are the best ones. Things keep changing so I don't want to get it wrong"

37% have a fear of the unknown; investing in greener home improvements on a bigger scale feels daunting and too 'new'

A 'fear of unknown'

Government grants may improve in future

27%

I don't know anyone who has done it yet

16%

We can further build on some of these barriers...

- Some are unsure if grants will be better in future: belief that if the government really want to push this, the grants will have to be more readily available and generous to tempt more consumers
- Lack of social proof: lack confidence to be a leader in greener home improvements, so seek reassurance from others that have made greener home improvements first
- A need to see 'real life', first hand experiences from others who have implemented these changes – read their case studies, ask relevant questions, hear their unfiltered experiences
- Comforting if others around them are doing this – neighbours, friends, family members to be able to ask questions, see the tech for themselves

"I can't see that other homes on my street have done any of these things. There aren't any solar panels on roofs, so presumably there's not a big advantage to doing this"

"It's helpful if you know other people in your social circle that have made some of these changes so you can see it for yourself and ask them their honest opinions. It's more trusted than just looking online"

35% perceive there to be a lack of support, with no trusted, independent source to turn to for end-to-end advice/guidance

Lack of support



We can further build on some of these barriers...

- Process feels overwhelming; difficult to know where to start and where to turn to first
- Spontaneous requests for independent, trusted source(s) for advice, support, independent review and recommendations of different installers. A key step by step process would be appreciated with key sources at each touchpoint on where to go/what to do next
- End to end support is desired – complete handholding throughout
- Aware that numerous installers exist but no prior knowledge so difficult to know who to trust and what to base their decision on
- Can initially be suspicious of installers/suppliers: can I trust their recommendation and are their prices competitive?

“You really need an independent body to help point you in the right direction and review the market...a bit like Which do so you can read it and form your own views

“Someone who could look after you through the whole process would be great – give you the right advice, support you, show you what the timeline and process looks like”

Bringing to life the 'actively researching' green home initiatives consumers

Gary, actively researching solar panels and battery storage, driven by financial benefits

Meet Gary, 70 yrs old, retired, married. Lived in current 2 bed, semi-detached bungalow for 4 years. Mortgage free

Already has thermal lining insulation, new boiler system, LED lighting and energy efficient fireplaces



Seriously considering solar panels and battery storage. Spoken to brother-in-law who owns a solar panel company about the potential costs and options

Funding would be from savings, as wouldn't consider other options.



Primary motivations were to look for ways to save money in the long term, ultimately lowering energy bills whilst keeping warmer in winter months

Aware the home could be more energy efficient than it currently is by taking bigger steps with green initiatives



Primary barrier is cost and if it's deemed worth it.

Other barriers include impact of physical look and feel, unknown timeframe and need for installation and maintenance support. Welcomes more support and clarity of advice

5 |

Reviewing potential features and benefits



We used a MaxDiff exercise to assess how motivating different features/benefits might be to encourage people to consider making 'green' or decarbonising home improvements

MaxDiff allows us to **accurately test many items** at the same time and **it's a simple task for the respondent to do**.
It has strong discriminatory power, and it eliminates the bias associated with using scales.

If you were considering making 'green' or decarbonising home improvements and the added elements shown below were available to you, which would be most motivating and least motivating for you to consider making changes to your home.

Click on the **most motivating** option

1/10

- Government confirms the grants available would not be changing for the next three years
- 20 year performance guarantee for the product
- Government calculator for cost/benefit analysis
- Advice on solutions, provided by an energy company

If you were considering making 'green' or decarbonising home improvements and the added elements shown below were available to you, which would be most motivating and least motivating for you to consider making changes to your home.

Now, click on the **least motivating** option

1/10

- Advice on solutions, provided by an energy company
- An online calculator that will provide high level estimates on costs and savings
- 7 Year performance guarantee for the product
- Government confirms the grants available would not be changing for the next three years

We also asked a follow-up question to anchor the max diff results...

"Which of the following features would you need to have to make you consider going ahead with a solution to reduce my home's carbon emissions"

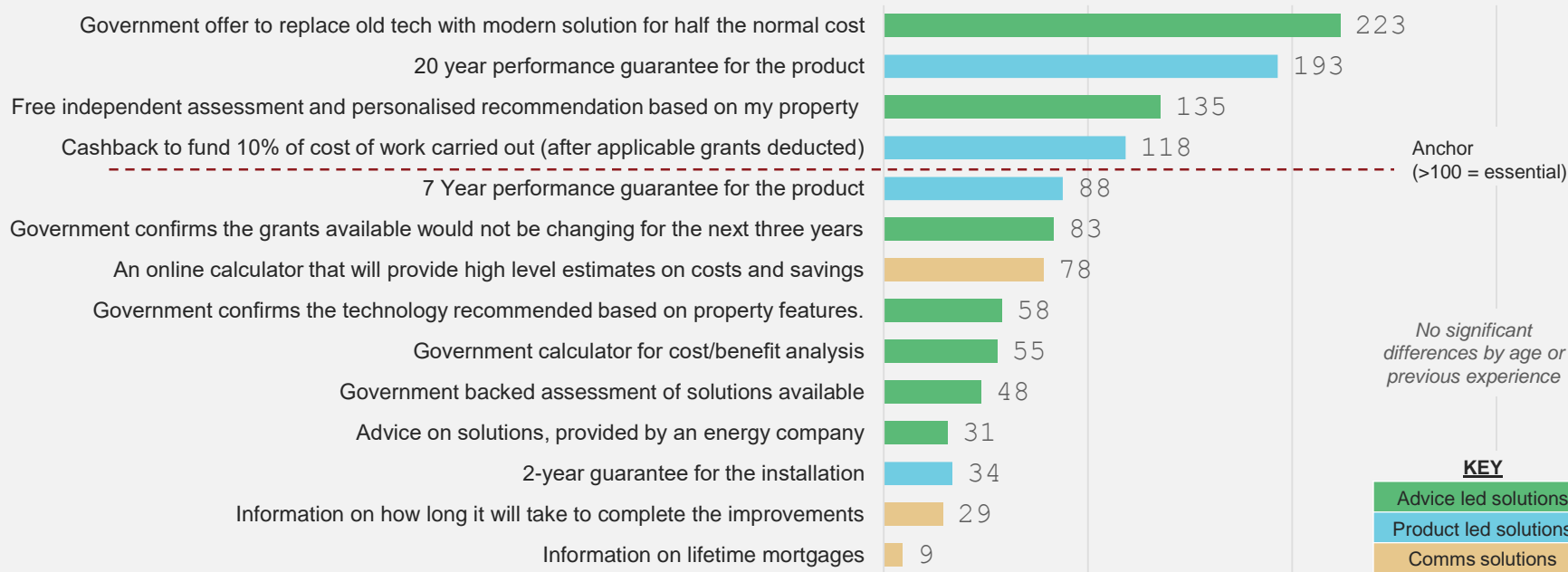
..this means anything with a score above 100 is essential for consumers to consider going ahead with a solution.

How does this work?

- Respondents see several screens (as above) and pick their most and least motivating feature/benefit each time
- **Statistical modelling is used to robustly quantify the relative appeal of each feature/benefit**
- This approach is much more robust and differentiating than standard rating scales or rankings

Discounts, Performance Guarantees and Independent Recommendations are the most motivating elements to encourage consideration of green home improvements

MAX DIFF | RELATIVE MOTIVATION FROM FEATURES/BENEFITS



Potential solutions which offer reassurance, peace of mind, personalisation and a monetary incentive resonate the most with consumers

Government offer to replace old tech with modern solution for half the normal cost

Directly address key barriers/concerns of tech being out of date too quickly – appeals as potential future proofing

Provides comfort consumers won't be 'left behind' as tech advancements evolve

But key to this is they want to know more: how likely will it be that the tech will need updating? How will this work?

20-year performance guarantee for the product

Addresses key concerns of what happens if something goes wrong with the product performance – this suggests accountability for resolving any performance issues

Feels like a substantial time frame (for the life of the product?) so provides much needed reassurance and peace of mind

Free independent assessment & personalised recommendation based

Like the idea of independent assessment: no agenda or sales tactics so more willing to trust it

Personalisation elements motivate: recognition that all properties are different and the same solutions may not be right for everyone

Like the fact that they can be confident in the recommendation

Cashback that would fund 10% of the cost of the work carried out (after applicable grants have been deducted)

Like the idea of 'getting something back'

Perceptions that everything helps and this is a big expense so feels like a nice gesture

But, key to this is that the process is simple and easy for them to get the money back – no hoops to jump through

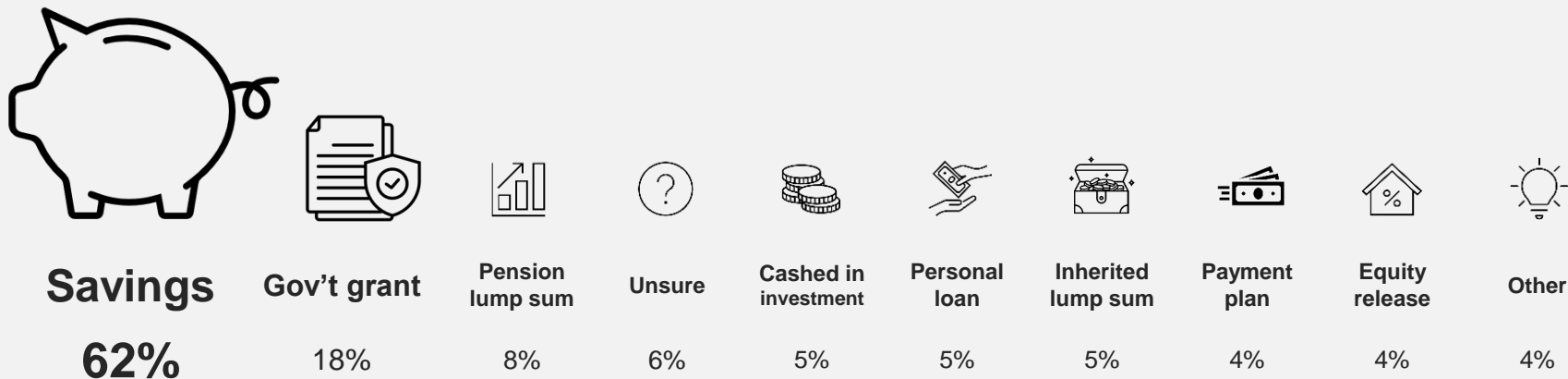
6 |

Funding green home improvements



Those who have already made green home improvements mostly funded these through savings; very few took additional borrowing

FUNDING METHODS USED FOR EXISTING IMPROVEMENTS (% SELECTED)



Whilst there's currently low awareness, many are open minded to the different funding options that are available to them

Most consumers are only aware of using their savings as a funding option...

Once prompted, they would actively consider:

- Their savings
- Grants (although few are available of what exists)
- 0% interest payment plan/loan (for some)

But there's aversion to taking on new debt at their age, so would actively avoid:

- Using lump sum from pension
- Personal loan
- LTM



For funding future improvements, there is more expectation of using government grants alongside savings; equity release isn't top of mind

FUNDING METHODS WOULD USE IF FUNDING IMPROVEMENTS IN THE FUTURE (% SELECTED)



Savings

52%



**Gov't
grant**

48%



**If
inherited
lump sum**

16%



**Payment
plan**

14%



**Cash in
investment**

10%



**Pension
lump sum**

9%



**Personal
Loan**

5%



**Unsure /
other**

5%



**Equity
release**

3%

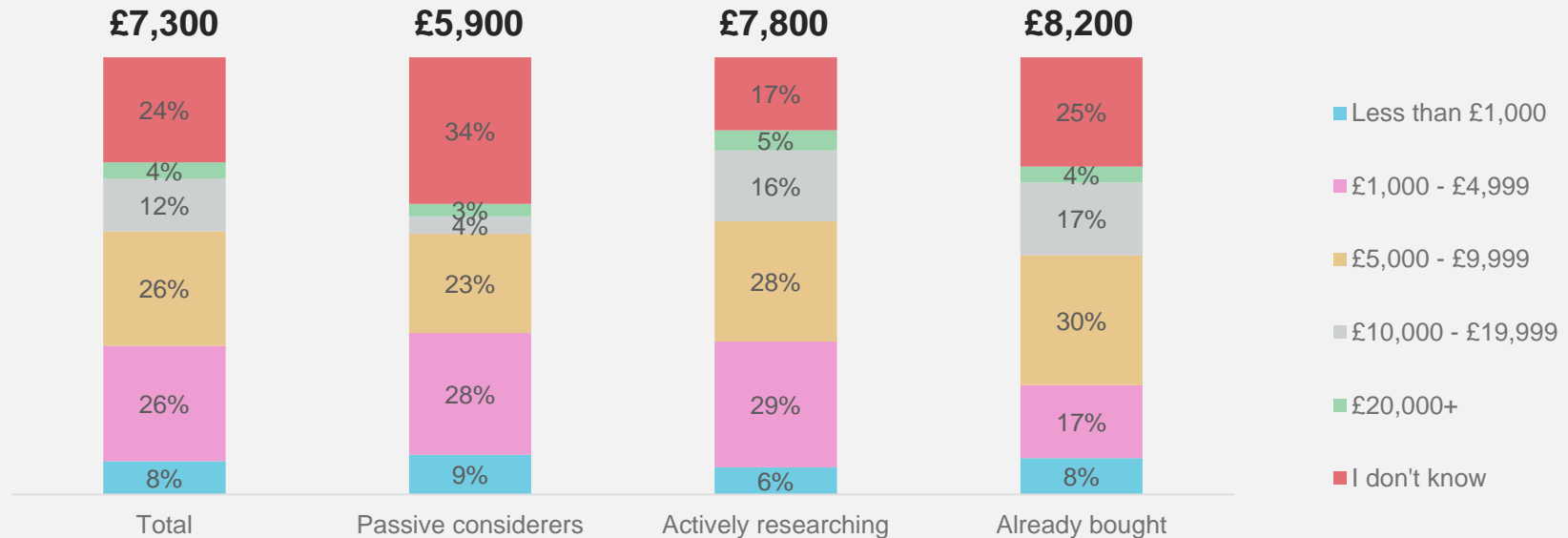


**Add to
mortgage**

3%

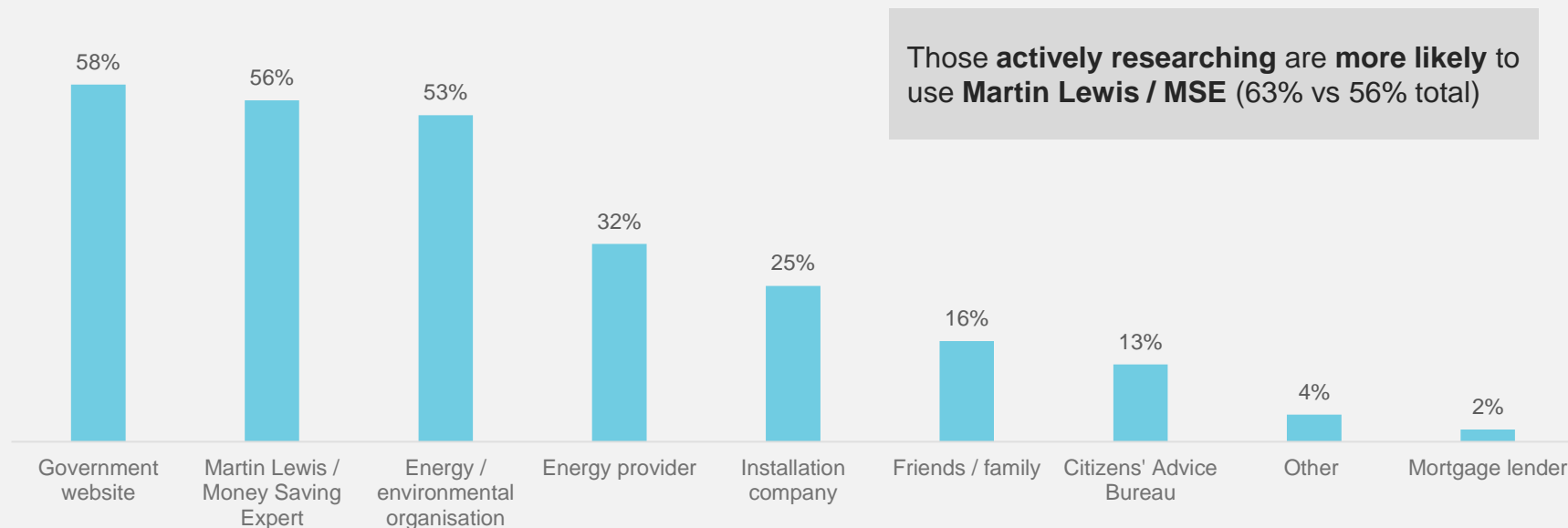
Consumers expect to spend £7,300 on average on green home improvements – lowest for those who have yet to start actively researching, suggesting a lack of understanding of the true cost

ANTICIPATED INVESTMENT IN FUTURE GREEN HOME IMPROVEMENTS (% SELECTED / AVERAGE AMOUNT)



Consumers would go to Government website, Martin Lewis and environmental organisations for funding advice - mortgage lenders aren't top of mind

FUNDING ADVICE SOURCES WOULD USE IN THE FUTURE (% SELECTED)



7 |

Reactions to Lifetime Mortgages



The following proposition was introduced to respondents and tested qualitatively...

None had considered ERM as a potential solution for making energy efficiencies to their home

It does sway some consumers to be more open minded to ERM

There's respect and recognition that it *could* work, but struggle to see it's positioning and if it's really for them

Those who are open minded and may consider need a lot more information to decide if it's a credible option for them

Phoenix Group is a financial services company. Their primary business is pensions and annuities however, they are also a funder of lifetime mortgages, otherwise known as equity release mortgages.

Equity release mortgages allows you to take out a loan secured on your home which does not need to be repaid until you die or go into long term care. It frees up some of the wealth you have tied up in your home.

Potential benefits of an equity release mortgage:

- There are no repayments required
- There is a no negative equity guarantee
- You're able to move house and take your mortgage to the new property
- You can make payments to manage interest roll up



Key Positives:

- ✓ Flexibility of the product: able to stay in control
- ✓ Ability to pay off interest and take the mortgage with them
- ✓ Well established company (Phoenix)

Initial Questions:

- What's the impact of the interest roll up?
- Is the loan I take out a fixed percentage based on the amount I borrowed? Need to spell out exactly how it works
- What's the minimum and maximum I can take out?

Within the quant survey, respondents were shown the following introduction to Lifetime Mortgages...

A lifetime mortgage or equity release mortgage allows you to take out a loan secured on your home which does not need to be repaid until you die or go into long term care. It frees up some of the wealth you have tied up in your home. Potential benefits of a lifetime mortgage are that:

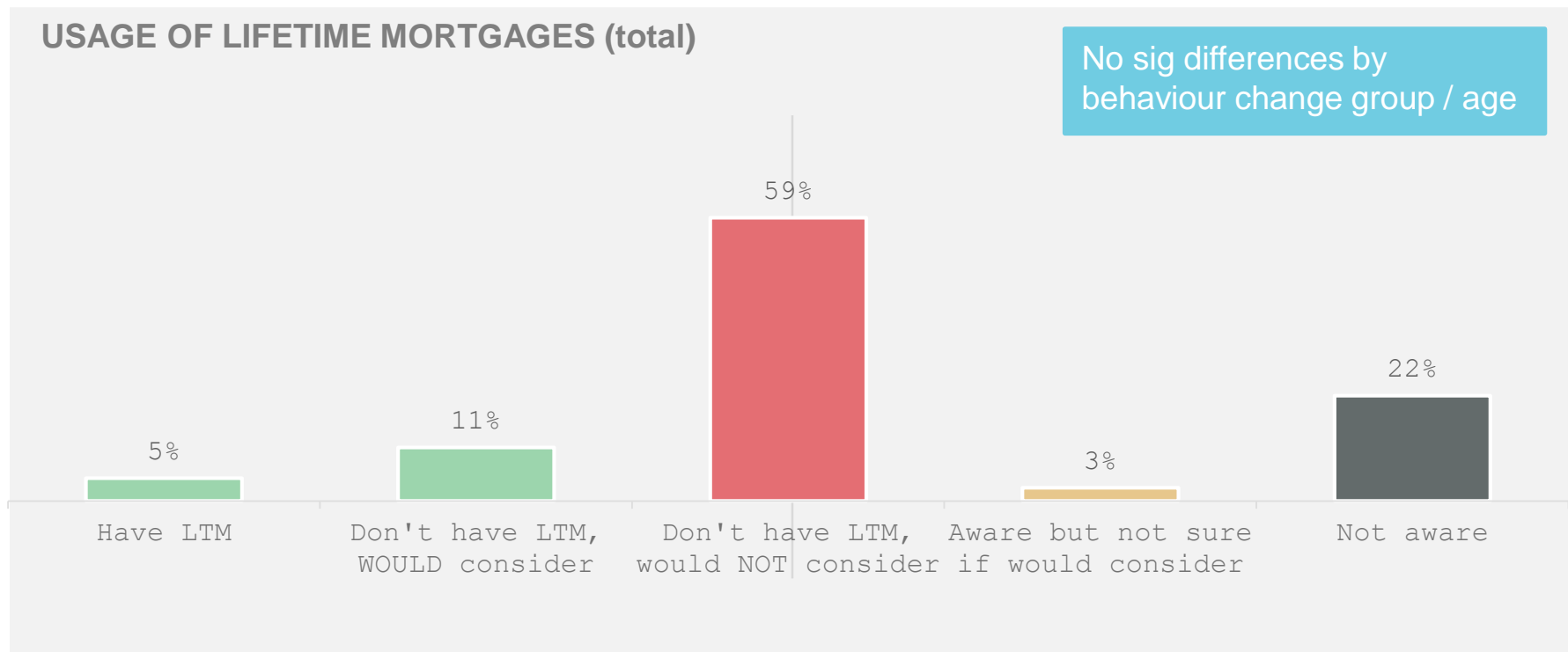
- There are no repayments required
- There is a no negative equity guarantee
- You're able to move house and take your mortgage to the new property
- You can make payments to manage interest roll up



After establishing awareness, usage, consideration of LTMs for green improvements and barriers to consideration, respondents were then introduced to the idea of Standard Life Home Finance offering LTMs...

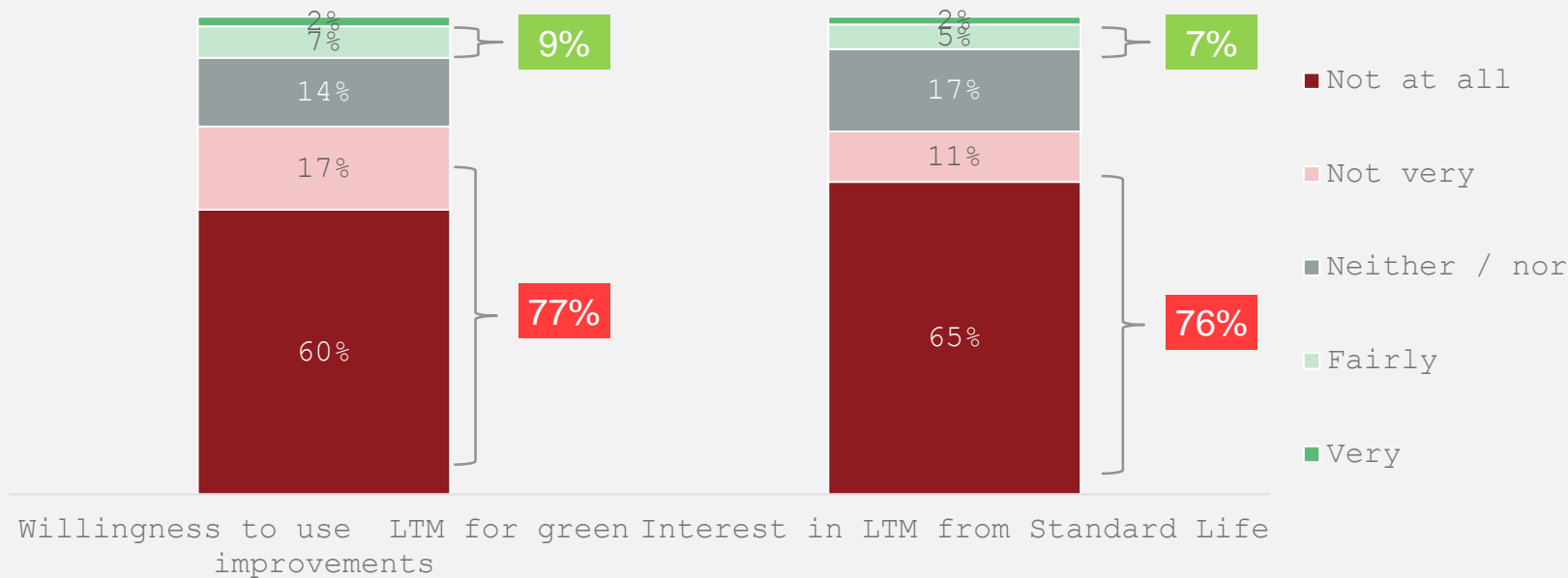
Standard Life Home Finance is a financial services company whose primary business is pensions and annuities; however, they are also a funder of lifetime mortgages, otherwise known as equity release mortgages. How interested would you be in a lifetime mortgage from Standard Life Home Finance?

Whilst nearly 4 in 5 are aware of LTMs, only 1 in 6 have or would consider taking one



Few are likely to use a LTM to fund greener home improvements or interested in a LTM from Standard Life, presenting a key challenge for Phoenix

WILLINGNESS TO USE LTM FOR GREEN HOME IMPROVEMENTS & INTEREST IN LTM FROM STANDARD LIFE





Reactions to LTMs are largely negative, with many barriers and an overriding lack of awareness and knowledge to overcome

FINANCIAL BARRIERS

- **42%** feel like it's a step back in their financial achievements
- **31%** have guilt of taking inheritance money away from others
- **24%** simply don't need to use LTM; they have savings to use
- **22%** feel the current interest rate is too high to consider
- **22%** perceive as 'last resort': for people who have no other financial choice
- **In addition, we also heard qualitatively:** interest roll up adds to overall debt, potential temptation to take out more capital over time, equity may be needed to fund future care needs

FAMILY BARRIERS

- **37%** feel that 'my house is no longer my own' – sacrifice to inheritance
- **23%** agree they'd be forced to sell the property on death unless children can pay off the LTM

TRUST/ KNOWLEDGE BARRIERS

- **21%** are put off by perceived negativity in media
- **22%** simply don't want to bother with LTM - perceived hassle for me (and also for solicitors when selling a house with LTM)
- **20%** are put off due to LTM not endorsed by trusted source i.e. Martin Lewis

D4. Why wouldn't you be willing to use a lifetime mortgage or equity release mortgage to fund green home improvements on your home? Base: All unwilling 457



Bringing to life the barriers to LTM's in the consumers own words...

FINANCIAL BARRIERS

"If you don't need to do a LTM why would you get into unnecessary debt. You might need your equity for long term care"

"It'd be the last resort. I couldn't stand the thought of doing it"

FAMILY BARRIERS

"My house wouldn't be my house anymore; it'd belong to a company"

"The kids would be forced to sell the house; they wouldn't have a choice on my death. I wouldn't want to put that on them"

TRUST/ KNOWLEDGE BARRIERS

"LTMs get a lot of bad press don't they, people don't know what they're getting into"

"I just wouldn't bother; I don't need the hassle"

8 |

Way Forward



To conclude, there is *some* consumer interest, but a huge challenge to overcome so positioning of our proposition will be key to how well it is received

Help educate and build trust

- Help consumers build knowledge and understanding of LTM beyond the basics
- Educate consumers on negative misconceptions
- Help more consumers see LTM as a viable option, via real life scenarios and calculations (how the interest accumulates over time and impact of paying off vs. not)
- Establish partnerships with energy/environmental organisations such as Carbon Trust or Energy Saving Trust to help communicate and promote benefits and to build trust

Focus on features which motivate and reassure

- Consider a complete end to end LTM solution – from simple advice on green solutions, through to responsibility for installation and maintenance
- A fixed interest rate that lasts the duration of the full term is of interest – show the absolute costs vs. the value for money of LTM
- Additional features such as discounts, performance guarantees and independent recommendations could motivate but will need Government backing on a larger scale





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