

Buy-to-let Green Finance Journeys

Discovery project case study

Organisation lead

Energy Saving Trust

Project partners

Trustmark

Residential Logbook Association

GHFA funding

£193,674

Themes

Access to green finance, education, technology, assurance, verification

What problem was your project trying to solve?

Through our Discovery phase, we aimed to enable customers to overcome the financial barrier to retrofit. Our research indicated that homeowners (particularly private landlords) often face problems accessing finance for retrofit. In addition, knowledge about measures; costs and benefits; access to quality installers; confidence in delivery; and getting consent for works to proceed were frequent barriers encountered. There is yet to be a competitive offer that could deliver the outcomes proposed by our project to the financial services community.

What solution did you develop, and who is this for?

We developed the Retrofit Proposition Toolkit (RPT), a digital toolkit enabling financial service companies to create an end-to-end retrofit proposition. The RPT contains components covering the entire retrofit process, including retrofit assessment, planning, certification and data storage.

Through our RPT service, landlords would be able to access bespoke, project-specific advice to overcome problems with finding installers, guaranteeing quality installations and providing home logbooks with records of improvements.

For lenders, the RPT service would allow easy testing and development of different green finance offers for the private rented sector (PRS) retrofit market by providing a flexible framework of advice, quality assurance, verification and data handling components that could be deployed to support a wide range of lending offers.

Project partners



Our Discovery Phase project research told us that lenders are looking to innovate in a rapidly changing landscape and a flexible toolkit approach will support this innovation. The toolkit will also readily support partnership propositions – for example lenders working with the many emerging local retrofit support agencies or offers through mortgage brokers.

Sean Lemon

Senior Manager, Energy Saving Trust

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What were the key things you learned during Discovery?

- 1) **Understanding the needs of landlords in the Private Rental Sector (PRS) is critical. Our consumer research, conducted in close collaboration with private landlords, revealed two key barriers: a lack of knowledge on where to start and concerns about the costs and feasibility of retrofitting.** Using this consumer research, we developed our proposition to include advice and support components.
- 2) **Landlords were found to be highly responsive to regulation and would not tend to undertake retrofit projects proactively.** However, we anticipate a significant owner-occupier energy efficiency retrofit market for our proposition, even in the absence of regulation, and a rapidly growing market linked to heat pump adoption.
- 3) **Landlords are likely to use a mix of funding approaches to finance retrofit:** These funding approaches include savings, cash flow from rental income and additional borrowing. Our consumer research showed that additional borrowing was a lower preference finance option, owing to current higher interest rates. Moreover, work with lenders identified that the current high-interest rates mean they are currently **cautious** in their development plans.
- 4) **Our research suggests that motivations for retrofit differ depending on the type of landlord:** Small and medium portfolio landlords we spoke to primarily viewed the rented home as an investment, while larger landlords identified a regular income as their crucial motivation to becoming a landlord. This may suggest different messages for the two groups – larger landlords being more persuaded by messages around the reduction in void rates (i.e. the amount of time a property is vacant and not generating rental income) by providing a warm home with lower bills, while smaller landlords may be more persuaded by the potential of increased value to the property for their retirement or passing on to their children.

How will you take the concept forward?

Utilising the learnings from our project so far, we have an enhanced understanding of the private rental and retrofit sector. The RPT will be made available to financial services providers (banks, building societies) and (in partnership with lenders) to retrofit service providers (e.g. local advice agencies), which allows it to address the needs of a wider audience, including landlords and owner occupiers. Moreover, we have developed our work with a variety of partners, building relationships with building societies and have recruited a bank to support our submission for the pilot phase by allowing us to pilot our proposition with their customers.

The Green Home Finance Accelerator (GHFA), funded by the Department for Energy Security and Net Zero's (DESNZ) Net Zero Innovation Portfolio (NZIP), promotes finance propositions that encourage domestic energy efficiency, low carbon heating, and micro-generation retrofit in owner-occupied and private rented sectors. PwC is supporting DESNZ to administer the grants and manage the programme, they are not responsible for the design, development or viability of any financial products, services or projects directly. Carbon Trust is supporting PwC by leading dissemination of project insights and learning. This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, The Department for Energy Security and Net Zero, PricewaterhouseCoopers LLP, the Carbon Trust and the Project Partners do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

Project info



Case study
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