

# Green Mortgage and Home Energy Management System

## Discovery project case study

### Organisation lead

Perenna Bank PLC

### Project partners

Heatio  
Energy Savings Catapult

### GHFA funding

£157,303

### Themes

Green Mortgages

### What problem was your project trying to solve?

Each year, over a million people take out a new mortgage. This event is a crucial trigger point to engage with homeowners about retrofitting their homes. Unlike short-term unsecured loans, mortgages can enable homeowners to spread the cost of a retrofit over much longer periods and at lower interest rates. However, we know homeowners need better information to understand the benefits of retrofitting as an investment in their property. The concept of a simple 'payback period' is often not persuasive enough. Most lenders do not offer mortgage products that incentivise or advise consumers on retrofit options and benefits. Our project aims to design a green mortgage product that addresses these challenges.

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

We are developing a long-term fixed-rate mortgage which offers a reduction in interest rates if homeowners make their homes more energy-efficient. Our product also includes the offer of a Home Energy Management System (HEMS) from our partner, Heatio. This system provides detailed recommendations and verifies the energy savings of installed measures. Our solution aims to change the perception around retrofitting by emphasising that it is a valuable investment in the home. Just like other investments such as a new kitchen, bathroom or extension, retrofitting can increase the value and comfort of the property.

### Project partners



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*Our Discovery Phase project found that homeowners are much more likely to retrofit if they can see a financial justification for doing so. As we move into the Pilot Phase, we look forward to testing if the Retrofit Discount we offer to our customers will incentivise more homeowners to decarbonise.*

**Mike Lindsay-Bayley**  
Sustainability Lead, Perenna

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### What were the key things you learned during Discovery?

#### 1. Consumers need more information to understand what their retrofit journey will involve, and which measures are suitable for their property

Our research found that consumers had less awareness of how their retrofit journey would look in practice. Low-carbon technologies are also much less understood. There is an educational opportunity to engage and inform people about the benefits of low-carbon technology (heat pumps, solar panels and batteries).

#### 2. Consumers are optimistic about the green mortgage concept but want detailed information about the costs and benefits

Almost half of the homeowners in our survey wanted more information and assurance related to the costs of the green mortgage product. We need to focus on communicating the combined benefit of lower energy bills and lower mortgage repayments as the reward for retrofit.

#### 3. Our primary target market is younger (25-44) remortgage customers with more than 20 years left on their mortgage

In our quantitative survey with over 1,000 respondents, we were able to identify the following trends:

- 84% of respondents aged between 35-44 found the proposition appealing
- 50% of this group had at least 20 years remaining on their mortgage
- 67% of this group were on a short-term fixed-rate mortgage

#### 4. Collaboration with specialist partners is key to designing products that work for both finance providers and the retrofit supply chain

The insights from our partners, Heatio and the Energy Systems Catapult, were critical to designing a product that will integrate smoothly into the existing customer journeys for home retrofit, such as purchasing a heat pump.

### How will you take the concept forward?

Perenna will launch this product in the summer of 2024. As with its existing product range, the mortgage will be distributed via mortgage brokers and initial marketing will be primarily aimed at engaging this part of the supply chain, educating them on the offer and helping them communicate it to their clients. If the retrofit discount is a successful mechanism for incentivising homeowners to retrofit, then this logic can be applied to other mortgage products in the future aimed at different customer segments such as first-time buyers and later life borrowers.

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  
developed by:

