



UK Government

# WARM HOMES LOAN SCHEME SCHEME RULES



This document is intended to provide participating lenders with guidance on the rules and requirements of the Warm Homes Loan Scheme. It sets out responsibilities and processes lenders must follow when participating in the Scheme.

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UK Government

# Warm Homes Loan Scheme – Scheme Rules



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## **Summary**

### **About the Warm Homes Loan Scheme**

The WHLS provides grants to help reduce the cost of consumer borrowing for low-carbon heating and clean energy home retrofit technologies.

### **About this Document**

This document is for lenders participating in the Warm Homes Loan Scheme (WHLS).

It explains:

- The financial mechanism underpinning the Scheme
- Which technologies and properties are eligible
- Who can apply
- What applicants must do at each stage of the process
- Our approach to audit and compliance
- Where to find further help, contacts, and resources

### **Disclaimer:**

The positions set out in this document relate to the Warm Homes Loan Scheme at launch. The Scheme remains subject to further iteration and the positions set out here should not create any expectation as to the future design of the Scheme. We reserve the right to amend or withdraw all positions set out within this document for any reason, including to ensure that proposals provide value for money and are consistent with subsidy control principles.

# 1. Introduction

## Warm Homes Loan Scheme (WHLS) overview

1. The WHLS, referred to throughout this document as ‘the Scheme’, is a government supported, lender-led initiative designed to increase the availability of affordable finance for low-carbon home upgrades across the United Kingdom. It forms part of the Department for Energy Security and Net Zero’s (DESNZ) wider Warm Homes Plan and aims to address key barriers that have historically constrained consumer uptake of retrofit measures, particularly high upfront costs and limited access to affordable finance products.
2. Under the Scheme, participating lenders will offer consumer loan products for eligible measures, supported by a government funding mechanism intended to improve affordability while preserving lender autonomy over credit decisions and product design.
3. The Scheme is structured to operate within existing regulatory frameworks, with clear scalability and market development over time.
4. The key customer segment that this Scheme is targeting is those who are ‘able to borrow’ – meaning those who are motivated to install green technologies but lack the upfront savings to do so and are either deterred by the current cost of borrowing or unable to access more affordable products due to restrictive eligibility criteria.

## How to use this document

5. This document is for lenders who are interested in or already taking part in the WHLS. It explains how the Scheme will operate and details the rules and requirements participating lenders must adhere to.
6. This document should be used in addition to the Application Form and accompanying guidance, and the Grant Funding Agreement, which together provide a comprehensive view of all the requirements on lenders and Scheme processes.

## Queries and further information

7. Any questions on the WHLS Scheme documentation should be directed to the WHLS Enquiries team at [gfpolicy@energysecurity.gov.uk](mailto:gfpolicy@energysecurity.gov.uk).
8. Any queries on the Application Process should be directed to the WHLS Application team at [CGL-WarmHomesLoanScheme@energysecurity.gov.uk](mailto:CGL-WarmHomesLoanScheme@energysecurity.gov.uk)

## Personal data

9. We process all personal data collected in accordance with the assimilated law version of the General Data Protection Regulation 2016/679 (UK GDPR) and the Data Protection Act 2018.

## 2. Roles and responsibilities

### Role of Government

1. The Department for Energy Security and Net Zero (DESNZ) is responsible for the overall policy and Scheme Rules. Throughout this document, DESNZ is described as 'the Department'.

### Role of Lenders

2. Lenders who participate in the Scheme are responsible for:
  - Complying with all Scheme Rules
  - Actively monitoring, preventing and detecting fraud and error (including by customers and installers, where reasonable), and reporting instances of fraud to the Department
  - Managing risks around non-compliance with eligibility requirements for borrowers, measures and installers
  - Complying with all aspects of the Grant Funding Agreement
  - Providing grant supported financing to consumers
  - Managing all complaints and queries related to the financing they provide
  - Taking all reasonable action and exercising all reasonable due diligence to ensure they are in compliance with the Scheme Rules

### Role of Property Owners

3. Property owners are responsible for:
  - Applying for finance, providing accurate information to their chosen lender and seeking advice on the appropriateness of the financing product for their individual circumstances
  - Seeking advice on the appropriateness of the measures they are looking to install for their individual circumstances
  - Organising installation of their chosen measure with a certified installer
  - Paying that installer
  - Repaying their loan to their chosen lender

### Role of MCS

4. MCS (Microgeneration Certification Scheme) is the quality assurance and consumer protection organisation for small-scale renewable energy technologies (50kW for electrical technologies, or 45kW for heat technologies (70kW if multiple heating units are installed in the same installation)) such as solar panels, heat pumps, and battery storage in the UK. MCS develops and publishes product and design and

installation standards for microgeneration technologies and runs an installer and a product certification scheme.

5. MCS certification provides a consistent, nationally recognised framework for installer competence, product and installation quality for small-scale renewables. It also provides the primary consumer protection framework for small-scale renewables, including setting requirements for financial protection products, managing complaints relating to installation quality and workmanship, dispute escalation, resolution and access to remediation mechanisms.
6. For microgeneration technology installations (solar panels, battery storage systems, heat pumps) to be eligible for the Warm Homes Loan Scheme, an MCS certified product must be installed by an MCS certified installer, to the relevant MCS design and installation standard for that technology.
7. Lenders are expected to ensure that installations financed through their Scheme products are delivered by MCS installers, who are certified for the relevant technologies, and that MCS certification is verified within their processes.
8. MCS will facilitate the sharing of relevant data with lenders via Application Programming Interfaces (APIs) for the purpose of installer and installation certification verification.

## 3. Scheme scope

### **Intended market and customer segments**

1. The Scheme is designed to support households that are able to borrow and repay finance but face barriers to investing in low carbon home upgrades due to upfront costs and limited access to suitable lending products.
2. The Scheme is primarily targeted at owner-occupiers and private rented sector landlords seeking to finance eligible home upgrades.
3. The Scheme does not introduce income-based eligibility thresholds and relies on lender-led affordability and credit assessments in line with existing regulatory requirements. It is intended to support a broad range of customers across the able to pay market, rather than a narrow or specialist segment.

### **Timeframe**

4. The Scheme is being developed as a multi-year programme. The timings set out below are indicative and may be subject to change. An initial application window will be open in June 2026 for an expected launch of loans to the public in September 2026, once all necessary approvals are secured. See Section 7 for information on application and onboarding. The launch is expected to be followed by a subsequent application window, anticipated to open in late 2026 for onboarding in early 2027,

with exact dates to be confirmed and communicated well in advance. Subject to ongoing programme requirements and delivery considerations, further application and onboarding windows may be offered in future. Lenders will only need to apply to the Scheme once.

5. This document focuses on the initial launch phase of the Scheme, setting out the scope and parameters relevant to lender participation. Any future changes to Scheme scope, product coverage, or delivery arrangements would be subject to further policy decisions and communicated separately.

### **Funding availability**

6. Scheme funding will be deployed as a shared fund from which participating lenders may draw support down, in line with agreed Scheme Rules and reporting requirements. Further detail on the funding mechanism, drawdown arrangements, and controls is set out in Section 6 of this document.

### **Geographic extent**

7. The Scheme will operate UK-wide. It is designed to operate alongside existing schemes in the devolved administrations.

### **Types of finance products supported**

8. The Scheme is designed to support a range of consumer lending models, recognising differences in lender business models, customer preferences, and distribution channels. Subject to meeting Scheme requirements, supported product types include:
  - Personal unsecured lending (personal loans and embedded/point of sale finance offered in conjunction with installers, suppliers or other intermediaries)
  - Personal secured lending (secured against the property as a first or second charge mortgage)
9. Lending to business or SPV type structures will not be allowed.
10. Novel finance such as property linked finance, subscription or leasing products will not be eligible for the first phase of the Scheme, but their inclusion in future iterations of the Scheme will be kept under review.
11. Lenders retain responsibility for product design, pricing, underwriting, and distribution, within the parameters set by the Scheme.

### **Loan caps, tenor, and product parameters**

12. The Scheme will set parameters around supported loan products, including limits on loan size and loan term, to ensure consistency with Scheme objectives and value for money considerations. These include:
  - Maximum size of loans supported for each available technology and their associated ancillaries, set at values that will account for a wide range of property and installation circumstances.

- Grant support available for tenors three years and longer (the length of repayment should generally not exceed the lifetime of the financed product).
  - The grant must be passed on to borrowers by reducing the nominal interest rate.
13. Lenders retain flexibility to design products aligned with their risk appetite and customer base, including via variation by product type and customer profile, subject to the Department's approval.
14. In parallel with the Scheme application assessment process, there will be a product approval process which is expected to open in July/August 2026. Subject to passing the product approval process, there is no limit to the number of products each lender can develop.

## 4. Eligibility requirements

### Lender eligibility

1. The Scheme is open to all lenders that meet minimum regulatory, operational, and conduct standards. Applicants must:
  - Be, or have applied to be, authorised and regulated by the Financial Conduct Authority (FCA) to undertake the relevant lending activities. (Note: Lenders will not have the right to enter into new loan agreements with borrowers if they lose their FCA authorisation/permission to lend).
  - Demonstrate sufficient financial and operational capability to design, launch, and administer consumer loan products, including customer servicing, reporting, and complaints handling at a scale appropriate to customer base and targeted customer segments.
2. Participation is subject to a formal application and assessment process. Where lenders have applied but not yet received FCA authorisation, applications will be provisionally approved if lenders meet the other eligibility criteria. Lenders may not offer WHLS loans, use Scheme branding or claim to be a WHLS lender until they are fully approved. Nor can they offer WHLS Loans, use Scheme branding or claim to be a WHLS lender if they lose their FCA authorisation. Further exclusions and Tax and Regulatory requirements can be found in lender application guidance.
3. Section 7 of this document and the Application Form and accompanying guidance outline this assessment process in greater detail.

## Eligible consumers and properties

4. The Scheme is designed to support consumers who are able to borrow and repay a personal finance product and wish to install eligible home upgrades for their domestic dwelling. Eligible consumer/borrower groups are:
  - Owner-occupiers of existing domestic properties
  - Private Rented Sector (PRS) landlords on a personal lending basis
5. The Department will not impose any income-based eligibility thresholds, mandatory minimum energy efficiency upgrade requirements, or any Scheme level restrictions by property type. Lenders remain responsible for undertaking creditworthiness and affordability assessments in line with their regulatory obligations and may apply additional criteria as part of their own product design (i.e., a requirement to evidence an Energy Performance Certificate).
6. Participating lenders will be able to develop products that support one, or all of the eligible consumer groups at their discretion.
7. For the purposes of the WHLS, a domestic dwelling is defined as any building or structure that is currently used or suitable for use as a dwelling. In mixed-use cases, where the property is used for both residential and a business use, installations are eligible where they are principally intended to meet the energy needs of the domestic household. Incidental use for business or non-domestic purposes does not in itself render a property ineligible (for example short term lets, secondary but associated buildings like annexes or converted garages, or where a property owner might run a business from their home).
8. Owners of multiple properties may apply for a loan for each property.

## Eligible measures

9. The Scheme will support financing for a defined set of eligible retrofit measures, selected to deliver meaningful carbon and bill savings and to be suitable for delivery through market led finance.
10. Participating lenders will be able to develop products that support one, some, or all of the eligible measures at their discretion.
11. The Scheme is intended to complement other government grant schemes in the able to pay space, such as the Boiler Upgrade Scheme (BUS) or the Scottish Government's Home Energy Scotland Scheme. For example, where an applicant in England or Wales is looking to install a heat pump and is applying for a BUS grant, they can apply for a WHLS loan from a participating lender to cover any costs of installation above the level of the BUS grant received. This is subject to final approval of combined funding between schemes.

12. The BUS has specific eligibility criteria that consumers need to meet in order to receive a grant. Further information can be found in guidance here. If the BUS updates its guidance or scheme eligibility criteria the WHLS will mirror any such change, subject to confirmation to participating lenders by the Department.

13. WHLS eligible measures are:

Technology	Eligible measure	Further detail
Low-carbon heating	Air-to-water source heat pumps	Eligible for those in receipt of an applicable BUS or other devolved nation scheme grant, or who wish to take out a loan for the whole installation cost.
	Air-to-air source heat pumps	Only following their introduction as an eligible measure in the BUS Scheme, contingent upon the development of new product, design and installation standards by MCS. Further information will be provided when they become available. Please note that this means air-air heat pumps are not currently eligible for applications to the Warm Homes Loan Scheme as they cannot meet the requirement to be MCS certified.
	Ground source heat pumps	Including water source heat pumps and those on shared ground loops. Eligible for those in receipt of an applicable BUS or other devolved nation scheme grant, or who wish to take out a loan for the whole installation cost.
	Biomass boilers	For rural properties only, where an applicant is in receipt of an applicable BUS or other devolved nation scheme grant.
	Heat network connections	Domestic connections where properties have the opportunity to connect to an existing or planned low carbon network.

Electricity generation and storage	Solar photovoltaic (PV) systems	Roof-top mounted solar panels.
	Electrical battery storage	Both standalone battery installations and those paired with solar PV.
	Micro-renewables	Domestic wind turbine and micro hydroelectric systems only.

14. Only measures explicitly listed above and any associated ancillaries are eligible to be financed using Scheme funds. This includes the relevant installation, labour and other ancillary capital costs that are required to deliver and enable the effective operation of a given measure.
15. For a heat pump installation, we would expect a typical installation quote to include ancillary works such as necessary improvements to radiators, pipework and water tanks. The Scheme will not fund insulation as part of a heat pump installation.
16. For a solar installation, we would expect a typical installation quote to include ancillary works such as scaffolding, temporary safety equipment for installation and grid connection. EV chargepoint installation and associated electrical works will also be permitted as part of a solar and/or battery installation. The Scheme will not fund replacement roofing or other structural work that may be required prior to solar being installed.
17. For a battery installation, a typical installation quote may include integration with existing PV system (if present), setup of monitoring apps or control systems and installation of isolators, breakers or protection devices.
18. An EV chargepoint installation must only be made as part of a solar and/or battery installation to be eligible under the Scheme. EV chargepoints are not permissible as a standalone measure. EV chargepoint installers and residential chargepoints must be Office of Zero Emission Vehicles (OZEV) approved. To be OZEV approved, an installer must be a member of a Competent Persons Scheme. Further information on how to apply to be an OZEV authorised installer can be found [here](#) and further information on eligible chargepoints can be found [here](#). Consumers who have already received a grant from OZEV or any other source will not be eligible for a loan from the Scheme.
19. Measures must be installed in line with applicable technical standards and Scheme requirements, which includes that total costs are within the maximum size of loan supported for each available technology:

Eligible Technology	Loan Cap Amount (£)
Solar PV	15,000
Electrical storage battery	15,000
Air-water source heat pump	20,000 (prior to BUS grant being deducted)
Air-air source heat pump	10,000 (prior to BUS grant being deducted)
Ground source heat pump	35,000 (prior to BUS grant being deducted)
Biomass boiler	20,000 (prior to BUS grant being deducted)

20. We will publish further cap amounts for heat network connections, micro-renewable wind turbine systems and micro-renewable hydroelectric systems prior to Scheme launch. The Department reserves the right to amend these measure caps over time.
21. Where a customer is seeking additional finance to fund further costs not covered by the Scheme (i.e. insulation, windows and doors, roofing repairs in advance of a solar installation etc.), participating lenders are free to offer additional, separate finance products in line with their usual lending requirements if they wished – for example, a standard unsecured personal loan.
22. The list of eligible measures is set at Scheme level and may be reviewed over time in response to policy decisions and delivery experience. Any future changes will be notified far enough in advance to allow lenders to adapt, communicated formally and reflected in Scheme documentation.

### Installer eligibility

23. To ensure installation quality, consumer protection, and Scheme integrity, all works financed under the Scheme must be carried out by installers that meet Scheme approved certification requirements.
24. For the purposes of this Scheme:
- The Microgeneration Certification Scheme (MCS) is the approved certification body for eligible measures.

- Installers must be MCS certified for the specific eligible measure they are delivering at the point of installation. This does not include any relevant ancillary work associated with an installation referenced in the eligible measures section above.
  - Installations must be completed in accordance with MCS standards, including requirements relating to technical quality, consumer protection, and post installation assurance.
25. MCS certification provides a consistent, nationally recognised framework for installer competence, installation quality, and access to redress mechanisms. Lenders are expected to ensure that installations financed through their Scheme products are undertaken by appropriately certified installers and that certification is verified as part of their processes. This will be enabled through an API with MCS at the consumer application quote stage and at the post-installation verification stage (see sections 5.22-5.26 for more detail below).

## 5. Scheme operation and consumer journey

### Overview

1. The Scheme is designed to operate through a lender-led, end-to-end consumer journey. While each lender will develop and deliver their own consumer journey appropriate to their borrowers' needs and preferences, it is expected that all consumer journeys will share common features including:
  - Consumer awareness and engagement
  - Loan application and approval
  - Installation and verification
  - Payment to customer/installer and commencement of loan repayment
  - Repayment and Ongoing Customer Management
2. While the Scheme sets out common principles and minimum requirements, lenders retain responsibility for customer interactions, credit decisions, and loan servicing within the agreed Scheme framework.
3. There will also be a clear, role-based complaints and consumer protection model in place, aligned with existing regulatory and assurance frameworks, to ensure consumers are routed to the appropriate part. The Department will provide consumers and lenders a guide/visual diagram of where consumers need to go to for various types of complaints through our planned communications. Further detail can be found in 5.33.

4. While we do not anticipate major changes to the consumer journey requirements, the outcomes from the Green Home Finance Strategic Partnership Working Group 3, focusing on driving demand and creating a standardised customer journey, will be taken into account in future developments of the Scheme when these are published.
5. The consumer journey set out below is most relevant to unsecured (i.e. personal loans) and secured finance (i.e. additional mortgage borrowing) products and may differ for point-of-sale (POS) finance where sufficient eligibility and verification steps are already in place.

### **Awareness and engagement**

6. Consumer awareness of the Scheme will be supported through a combination of government-led signposting and lender-led marketing activity.
7. Scheme information, such as eligibility criteria, eligible measures and links to participating lender pages will be provided on a WHLS page hosted on the government's upcoming Home Energy Advice (HEA) tool. Lenders will need to share links to their relevant Scheme product application pages with the Department once they have been developed so these can be incorporated into the HEA page.

### **Branding and marketing**

8. UK Government branding will be used to help consumers recognise that participating products form part of a government-supported initiative.
9. Government channels will provide high-level information about the Scheme and signpost consumers to participating lenders. This will include ministerial communications as well as Scheme information on GOV.UK and the HEA tool.
10. Lenders are expected to help support the Department by responding to any reasonable requests for supportive quotes, figures or other materials that could assist with Government led information provision and marketing for the Scheme.
11. Lenders remain responsible for marketing their individual financial products and engaging customers through their own channels, subject to applicable regulatory requirements.
12. Lenders must use the "Funded by UK Government" branding for any marketing of products supported by the WHLS. This must also feature on any webpage for a Warm Homes Loan Scheme supported product.
13. Once onboarded to the Scheme, lenders may use the phrase "This product is supported by the Warm Homes Loan Scheme". Lenders may ask the Department for specific support in their own marketing in the form of supportive quotes, figures or other relevant materials.

14. When using UK Government branding as part of their marketing lenders must comply with branding guidelines outlined at [https://www.communications.gov.uk/wp-content/uploads/2022/12/Branding\\_Funded\\_By\\_UKG-.pdf](https://www.communications.gov.uk/wp-content/uploads/2022/12/Branding_Funded_By_UKG-.pdf)
15. The Department will reserve the right to require lenders to cease or correct any use of UK Government branding if it is not in line with the branding guidelines or being used on products that are not supported by the Scheme.
16. The Department reserves the right to require the immediate removal of UK Government branding from any marketing material at any time.

### **Consumer application**

17. The application stage is lender-led and reflects existing lending practices, with additional Scheme specific requirements applied where necessary.

### **Application requirements**

18. Consumers apply directly to a participating lender (or via an approved intermediary, where applicable).
19. Lenders assess applications in line with their standard creditworthiness and affordability processes. Applications must be supported by documentation required by the lender and by the Scheme to confirm eligibility.
20. Lenders ask consumers to confirm they are not applying for a loan for a measure that is being funded by another public grant or loan (with the exception of the Boiler Upgrade Scheme and the Home Energy Scotland Grant for Heat Pumps).
21. Sections 5.22 – 5.24 are steps lenders must implement to ensure a borrower is eligible to receive a loan before offering one.

### **Quotes**

22. For non-embedded finance journeys, a valid quote for the proposed works is required as part of the application, issued by an appropriately certified installer.
23. Quotes must:
  - be dated within the last six months
  - be addressed to the applicant
  - be issued on company headed paper
  - include the installer MCS number
  - come from an installer verified as a legitimate business
  - show the full installation address
  - include an itemised cost breakdown of all improvements
  - show the system size for the eligible measure (i.e. kW capacity)

## **Pre-installation checks**

24. Lenders are expected to undertake checks to confirm:
- The proposed installation is for a measure eligible under the Scheme that does not already exist in the property. This will be confirmed using a department database (the Energy Efficiency Installation Checker). Lenders will need to sign a data sharing agreement and complete a user form in order to access the EEIC;
  - Tenure and property type eligibility;
  - Installer certification status (using an API with MCS);
  - The amount of finance applied for falls within the relevant cap for that particular eligible technology.

## **Lodgement and API verification**

25. Installers are required to lodge completed works in the MCS Installation Database via the generation of an MCS certificate. The certificate provides the basis for verification that installation requirements have been met.
26. The detailed technical arrangements for data sharing and API based verification are still under development. MCS have indicated a proposed approach to API integration based on their existing partner APIs. Interested lenders will be asked to confirm if this approach is compatible with their systems; if this is not the case then alternative solutions will need to be developed between the parties.

## **Loan Disbursement**

27. The Department will pay out grant claims in arrears, after receipt of MCS verification relating to an eligible loan. It is up to the lender to decide when to disburse loans to customers (i.e. upfront in full, as deposit, direct to installer, after verification, or otherwise). The corresponding risk also sits with the lender; i.e. providing a loan at lower nominal rate prior to receiving the funds from the Department.

## **Post-installation**

28. Following successful installation and verification the remaining funds are paid out to the customer or the installer, dependent on the payment arrangements agreed by the lender.
29. The payment of the grant will be made to the lender following verification that the measure(s) has been installed.

## **Repayment and ongoing customer management**

30. Repayment and ongoing customer management are the responsibility of the lender and operate under existing regulatory frameworks. This includes:
- Loan servicing and repayment collection
  - Management of arrears, forbearance, and customer support

- Ongoing customer communications

### **Links to CCA and FCA rules**

31. The Scheme does not alter lenders' existing obligations in relation to consumer credit regulation or MCOB regulation, where applicable.
32. Consumer lending under the Scheme is fully subject to existing consumer protection legislation and FCA conduct requirements, including the Consumer Duty, where applicable (e.g. recognising some credit unions may have exemptions).

### **Complaints routing and consumer protection model**

33. The Scheme adopts a clear, role-based complaints and redress model, aligned with existing regulatory and assurance frameworks.

### **Lender responsibilities**

34. Lenders are responsible for complaints relating to:
  - Loan products;
  - Affordability and credit decisions; and
  - Loan servicing and repayment
35. Through the relevant Consumer Credit Act (CCA) provisions, lenders can also be held liable for installation quality issues and mis-selling (if the CCA is applicable to the lender and/or product). Consumers will be reminded (through guidance) to contact their installer in the first instance (and subsequently MCS if needed) to report and resolve these types of issues.
36. Complaints should be handled in line with FCA rules and, where relevant, the CCA, with escalation routes through established ombudsman services.
37. The Scheme will look to understand the nature of consumer complaints and issues being managed by lenders, to support ongoing monitoring. The data sharing and reporting requirements can be found in Appendix 3.
38. For the initial launch of the Scheme, we will align where possible with existing returns that lenders must make as part of their FCA obligations on complaints. We are considering additional information that we may require, including breakdowns on complaints by types of issues and resolution outcomes.

### **Installer responsibilities**

39. Installers are responsible for complaints relating to installation quality and workmanship. MCS provides the primary framework for installer standards and dispute escalation.

### **Department responsibilities**

40. The Department is only responsible for complaints relating to:

- Scheme Rules
  - The application of Scheme eligibility or requirements
41. The Department will not intervene in individual lending decisions or installation disputes.

## 6. Financial mechanism

### Overview

1. The Scheme uses a Government funded financial mechanism to support the provision of more affordable consumer finance for eligible home upgrades, while maintaining lender-led delivery and established regulatory protections.
2. The mechanism is designed to:
  - Improve affordability for consumers
  - Preserve lender autonomy over product design and credit risk
  - Ensure public funding is deployed efficiently and transparently
  - Minimise any distortion to the existing market mechanisms and economic incentives across a diverse range of products
3. The Scheme does not involve Government underwriting of individual loans or intervention in lenders' credit decisions.
4. The primary mechanism underpinning the Scheme is a principal reducing capital grant. Under this approach:
  - Government funding is provided to participating lenders in the form of a non-repayable capital grant of up to 20% of the loan amount (paid in arrears upon verification of installation)
  - The grant is used to reduce the effective principal of eligible loans
  - Lenders continue to originate and service loans at market rates on the remaining principal
5. This structure is intended to lower the effective cost of providing reduced rate loans for consumers without requiring Government to buy-down interest rates directly.
6. For the avoidance of doubt, all references to rates in this Financial mechanism section are to the Annual Fixed Rate (i.e. the nominal interest rate), and do not refer to any effective rate, APR, or IRR measure. For the full glossary of terms please see Appendix 2.

### Grant Calculation

7. The amount of grant funding will be calculated at loan level. The calculation will take account of:



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1%	0.0%	0.0%	1.5%	2.0%	2.5%	3.0%	3.5%	3.9%	4.4%	4.9%
2%	0.0%	0.0%	3.0%	4.0%	4.9%	5.8%	6.8%	7.7%	8.6%	9.4%
3%	0.0%	0.0%	4.5%	5.9%	7.2%	8.6%	9.9%	11.2%	12.5%	13.7%
4%	0.0%	0.0%	5.9%	7.7%	9.5%	11.2%	12.9%	14.5%	16.1%	17.7%
5%	0.0%	0.0%	7.3%	9.5%	11.7%	13.8%	15.8%	17.7%	19.6%	20.0%
6%	0.0%	0.0%	7.3%	9.5%	11.6%	13.6%	15.6%	17.5%	19.3%	20.0%
7%	0.0%	0.0%	7.2%	9.4%	11.5%	13.5%	15.4%	17.3%	19.0%	20.0%
8%	0.0%	0.0%	7.2%	9.3%	11.4%	13.3%	15.2%	17.0%	18.8%	20.0%
9%	0.0%	0.0%	7.2%	9.3%	11.3%	13.2%	15.0%	16.8%	18.5%	20.0%
10%	0.0%	0.0%	7.1%	9.2%	11.2%	13.1%	14.9%	16.6%	18.2%	19.7%

12. Funding rates and calculation assumptions are subject to change. The Department retains the right to adjust this over time in response to market conditions, consumer demand, budget availability and Scheme performance.

### **Budget Allocation Model**

13. Scheme funding will be managed through a central funding pot managed by the Department, accessible to all participating lenders in line with Scheme rules and reporting requirements, on a first-come, first-served basis.
14. The central pot model is intended to:

- Maximise utilisation of available funding
  - Support competition between participating lenders and products on a like-for-like basis
15. The Department will provide monthly draw-down data on the central funding pot, with forecasts intended to give advance notice of funding expiring at least six months ahead of fund closure.
16. The Department will notify lenders six months in advance when forecasting data indicates the Scheme has six months' worth of funding remaining. Grant supported lending can continue during this period, but lenders may wish to consider how to transition their products to continue without grant funding.
17. The Department will then give lenders one month's notice that grant funding will stop and will honour the grant for any eligible loans made during this one-month notice period.

## **Payment Flow**

18. The Scheme is designed so that public funding is linked to confirmed delivery, rather than being paid in advance of installation or verification. This means:
- Lenders originate and issue loans to consumers
  - Installations are completed and verified in line with Scheme requirements
  - Grant funding is claimed by lenders in respect of eligible, verified loans
  - a. The Department will pay out grant claims monthly in arrears, after receipt of MCS verification relating to an eligible loan.
19. It is for the lender to decide when to disburse loans to customers or installers (i.e. upfront in full, as deposit, after verification, or otherwise), subject to Scheme rules and its own lending processes. The lender remains responsible for any timing risk where it provides a supported rate before receiving grant funding from the Department.
20. Lenders will need to calculate the correct grant amount for each eligible loan using the method provided by the Department, and aggregate this into their monthly grant claim. The Department reserves the right to audit claims at an individual loan level for accuracy.
21. Where a grant is later found to have been claimed in error, or where Scheme requirements have not been met, the Department may require repayment of the relevant grant.

## **Clawbacks**

22. To protect public value and Scheme integrity, the Scheme includes clawback arrangements where grant funding has not been used, retained or passed through in line with Scheme requirements.

23. Where a supported loan is repaid early (partially or in full), lenders will need to calculate any clawback due at loan level. Any clawback due will need to be calculated on a quarterly basis and can be netted off against future grant claims, where available.
24. Clawbacks may apply in circumstances including:
  - Full early repayment or refinance
  - Partial early repayment or regular overpayment
  - Where grant support can no longer be fully passed through to the borrower
  - Confirmed ineligibility or other non-compliance with Scheme requirements
  - Loan cancellation
  - Loan disposals (where a lender treats funds received from the disposal of Scheme loans as full early repayment)
25. The clawback computation is based on the amount of grant support no longer required at the relevant event date. The calculation will compare the lender opening balance, any overpayment received from the borrower, and the present value of any remaining expected borrower payments, to determine whether, and what proportion of, any grant should be recovered. Further detail on the calculation methodology is set out in Appendix 7, with supporting model calculations to be issued to participating lenders.
26. For full early repayment or refinance, clawback will be equal to the remaining unvested grant at the event date. The amount recovered will not exceed the grant amount paid in respect of that loan and will be recovered from the lender through reconciliation against future grant claims, or through alternative repayment arrangements where future claims are not available.
27. For partial repayment or overpayment, clawback should recover the grant support no longer required as a result of the accelerated repayment. Any residual grant should continue to be vested over the remaining life of the loan.
28. Arrears, whether temporary or continuing, or agreed payment holidays will not trigger clawback or top-up. If a loan with temporary arrears later has an early repayment or overpayment, any clawback due will be calculated by reference to the original loan term.
29. Where a loan enters full default, any unvested portion of the grant shall be treated as a loss to the Scheme. Default outcomes shall be managed in accordance with the lender's recovery processes.
30. The amount available for clawback shall be determined with reference to recovery proceeds realised or reasonably expected, after application of the lender's recovery processes. The Department's recovery shall be limited to the amounts so available, unless otherwise expressly agreed.

31. The lender is expected to calculate the proportion of the vested grant at the event date.
32. To reduce administrative burden for both participating lenders and the Department, the clawback policy includes a set of proportionality thresholds:
  - a small balance write-off threshold, whereby any outstanding grant amount below 5% of the total grant amount may be written off, and
  - a cumulative de minimis threshold which ensures that clawback is only triggered once the difference between grant amount paid and grant amount vested reaches 5% of the total grant amount on an individual loan basis. From that point onwards, all subsequent differences will be recovered through the standard quarterly clawback process.
33. Where ineligibility or non-compliance is identified after grant payment, clawback will be calculated in proportion to the share of the loan that did not comply with Scheme rules, where this can be determined.
34. Lenders will need to retain sufficient loan-level records to support grant and clawback calculations. This includes the grant claimed, relevant borrower and lender payment profiles, repayment or prepayment events, any clawback value calculated, and evidence needed to support audit and reconciliation.
35. Where a loan has been disposed, the originating lender retains responsibility for determining the appropriate treatment of the loan for clawback purposes. In such cases, the originating lender may either:
  - treat the disposal as a full early repayment event, with any associated clawback calculated in line with the approach set out above; or
  - retain provision for any future clawback liability, such that responsibility for clawback remains with the originating lender and is reflected through the ongoing quarterly reconciliation process. In this case, the lender must ensure that any disposal documentation enables continued compliance with Scheme reporting and clawback requirements.

## **Double Funding**

36. Lenders must take reasonable steps to satisfy themselves that borrowers are not receiving other public grant funding for the same measures, other than the Boiler Upgrade Scheme (BUS) or similar schemes offering support for the same clean heat measures in the devolved administrations. As a minimum, this should include obtaining a borrower declaration confirming that no such funding has been received or will be claimed.
37. Provided the lender can demonstrate that it has undertaken reasonable checks, the Department will not seek financial recovery from the lender in instances where a borrower is subsequently found to have accessed additional grant funding in breach of this requirement.

## Grant Claim Process

38. Each month, lenders are required to:
  - by the 5th working day of the month, upload pre-determined data into our Data Management System (DMS). This will include loan-level data enabling the calculation of the net grant payable (gross eligible principal reduction per loan, less any clawback amounts due). This will form the “claim value.”
  - by the 15th of the month, provide a signed declaration confirming the accuracy of the data submitted and the claim value for that month.
39. The DMS data upload and signed declaration constitute the “Grant Claim”. Monitoring Officers will review the Grant Claim to confirm its accuracy and will request, where required, any additional information. Payment will be made, for fully evidenced claims, by 15th of the month following submission.

# 7. Application and onboarding process for lenders

## Overview of lender lifecycle

1. Participation in the Scheme follows a structured lifecycle, from initial market engagement through to live delivery and ongoing participation.
2. At a high level, the lender lifecycle comprises:
  - Formal lender application and assessment
  - Approval and contractual onboarding
  - Product development, assessment & approval
  - Go-live
  - Ongoing participation and monitoring

## Application window

3. The Department will invite formal applications to participate in the Scheme through defined application windows. The first will commence in June 2026 to slightly truncated timelines. Future windows are intended to be open for a longer period. The department intends to launch a subsequent application window in late 2026 for onboarding in early 2027, with exact dates to be confirmed and communicated well ahead of opening. Following this, there are intended to be annual windows for application and onboarding. Lenders will only need to apply for the Scheme once and when accepted will be issued with a Funding Agreement covering the lifetime of the Scheme. The use of time-limited windows is intended to enable consistent assessment across applicants and support effective capacity planning.

4. In the event any given application window has significantly more applicants than anticipated, we reserve the right to extend the timeframe for assessing lenders. In the event the overall Scheme has significantly more applicants than anticipated, we reserve the right to not accept further applications. The Department reserves the right to end the Scheme, with notice periods outlined in the Grant Funding Agreement.
5. The application process will enable us to assess a lender's eligibility for the Scheme. Further detail on the assessment process can be found below. Lenders will have additional time after onboarding to develop and launch their products.
6. Where lenders have applied for, but not yet received, their FCA authorisation, lenders may seek conditional approval. The Department will assess the application and confirm all other criteria have been met, but lenders may not offer WHLS loans, use Scheme branding or claim to be a WHLS lender until FCA authorisation is received; the Department has confirmed this; and the Department has communicated approval to the lender.
7. A lighter touch process will be used for lenders already onboarded onto the scheme looking to introduce additional financial products. Lenders will not have to apply multiple times for the Scheme.

### **Assessment and due diligence**

8. Applications will be subject to a structured assessment and due diligence process by the Department that considers:
  - Regulatory status and compliance;
  - Operational capability and readiness, including ability to meet the Scheme's data sharing and reporting requirements;
  - Financial assessment of the applicant company including legal structure and governance arrangements;
  - Proposed product structures; and
  - Alignment with Scheme objectives and requirements.
9. The assessment process is designed to be criteria-based rather than a competition, meaning that all lenders fulfilling the eligibility criteria will be onboarded, subject to 7.4 above.
10. Detailed assessment criteria are outlined in the Application form and guidance.

### **Fraud management plan**

11. As part of the application process, applicants will be required to demonstrate that they have appropriate controls in place to manage fraud risk. This will include identification of key fraud risks relevant to Scheme delivery and the approach to managing these risks (prevention, detection and response).

12. The Scheme does not intend to replace lenders' existing fraud obligations but builds on established good practice.
13. Applicants will need to complete and return the separately provided fraud management plan template. The Department will assess the plan and, if it is deemed to not sufficiently address the risks outlined, lenders may be asked to revise their submission.

### **Approval and acceptance**

14. Following assessment, applicants will be notified of the outcome of their application by the Department. Approval to participate in the Scheme:
  - is subject to meeting all eligibility and assessment requirements; and
  - may be subject to conditions that must be satisfied prior to onboarding
15. Approved lenders will be invited to proceed to sign the Grant Funding Agreement and begin onboarding with the Department.
16. Lenders who have previously been removed from the Scheme under the conditions of the Grant Funding Agreement may apply to join the Scheme again through the normal lender on-boarding process once they are satisfied that they have remedied the cause of their removal.
17. Previously removed lenders must submit a full application including due diligence and a statement setting out how previous failings have been addressed.

### **Grant Funding Agreement (GFA)**

18. Participation in the Scheme will require lenders to enter into a Grant Funding Agreement (GFA) with the Department. The GFA will mainly cover, but is not limited to the following:
  - The terms under which grant funding may be claimed;
  - Reporting, assurance, and compliance obligations
  - Provisions relating to reconciliation and clawback; and
  - Mechanisms for reporting subsidy control (minimum financial assistance) for applicable loanees e.g. landlords
19. The GFA will be legally binding and take precedence over the Scheme Rules and guidance for lenders in the event of any inconsistency.
20. The final form of the agreement will be issued as part of the formal onboarding process.

### **Product development and sign-off**

21. We would encourage lenders to begin product development as soon as possible. Once onboarded, if not already done so, lenders will be responsible for developing and finalising their Scheme compliant products. This stage will include:

- internal product development and approval; and
  - confirmation that products align with agreed Scheme parameters.
22. The Scheme will not mandate a single product design and will allow for variation across participating lenders.
23. There will be a product approval process separate to Scheme application. This is expected to open in July in parallel with application assessment and to remain open throughout the Scheme. Onboarded lenders will be notified about this process.
24. The following information is expected to be produced as part of the product approval process. It is indicative and subject to amendment with final details being provided subsequent to lender approval to the Scheme as a whole.
- Product Information (for tracking purposes)
    - Name
    - Target launch date
    - Expected lending volumes
  - Eligibility requirements (for confirmation and analysis of coverage):
    - Product type
    - Homeowner type
    - Measure
    - Geography
  - Price information (for control over grant pass on):
    - Starting Rate and APR
    - Target Rate and APR
    - Tenor
    - Max loan amount
    - T&Cs
  - The above information for the closest comparable product and cheapest product within the same category (secured/unsecured/POS)

### **Go-live requirements**

25. Before launching products to consumers, lenders will need to confirm in a declaration submitted to the Department that their organisation, and its products, are fully ready and able to comply with all relevant operational, regulatory, and reporting requirements set out in the Scheme rules and the Grant Funding Agreement.

### **Launch and ongoing participation**

26. Following Go-live, lenders may offer Scheme supported products to consumers for the duration of their participation. Ongoing participation is subject to:

- continued compliance with Scheme requirements;
- submission of required reporting; and
- engagement with assurance and monitoring activities.

27. The Department reserves the right to suspend or terminate participation where requirements are not met, in line with the Scheme rules and Grant Funding Agreement terms.

### **Product changes**

28. An ongoing product approval process will also apply to changes to approved products:

- Changes to certain product attributes (for example, geographic coverage) will require notification only.
- Changes to other attributes (for example, pricing changes beyond pre-agreed thresholds) will require prior approval by the Department.

## **8. Monitoring, assurance and governance**

### **Scheme oversight model**

1. The Scheme operates within a clear oversight and governance framework, designed to ensure the effective use of public funds while supporting market-led delivery.
2. Overall Scheme oversight is retained by the Department, acting as Scheme Administrator, responsible for day-to-day management, monitoring, data collection, and assurance activities. Participating lenders operate within this framework through grant funding arrangements, including defined data reporting requirements to support Scheme monitoring, evaluation, and, where appropriate, statistical publication.
3. Monitoring focuses on aggregated Scheme compliance across key domains, including lending activity, installations, and associated outcomes. Lenders will be required to provide consistent and timely data to enable effective oversight, while maintaining responsibility for their own lending decisions and customer relationships.
4. The Scheme does not involve government participation in individual lending decisions or day-to-day customer management. Assurance processes will focus on compliance with Scheme requirements, data quality, and appropriate use of public funds, supported by proportionate audit and reporting arrangements.

## Data and audit requirements

5. To access grant funding, lenders will be required to provide monthly reporting to the Department to support monitoring, assurance, audit, and evaluation of the Scheme. Lenders will be required to submit data through standardised data reporting templates before the reporting deadline (exact dates to be confirmed), as part of the claims process for the month.
6. Data requirements are designed to be proportionate and to align, where possible, with lenders' existing systems and regulatory reporting. Data will be used to support aggregated Scheme monitoring and, where appropriate, statistical outputs, and will be handled in accordance with applicable data protection legislation.
7. Lenders will be required to submit data monthly through standardised data reporting templates. These will be submitted via Excel Templates, directly into the Department's Data Management System - WebPortal. Data validation rules will be applied at the front-end to ensure accuracy and completeness of reporting. We process all personal data collected in accordance with the assimilated law version of the General Data Protection Regulation 2016/679 (UK GDPR) and the Data Protection Act 2018. Full details of the Scheme data requirements are outlined in Appendix 3.
8. Lenders will be required to maintain loan-level data sufficient to support grant calculation, clawback calculation, reconciliation and audit. This includes records of borrower and lender payment profiles, grant values, loan lifecycle events and any clawback calculated. The relevant loan-level data fields are set out in Appendix 3.

## Compliance monitoring

9. Lender compliance will be assessed relative to a set of pre-agreed Grant Compliance Indicators. Compliance monitoring is designed to be proportionate and risk-based, avoiding unnecessary burden on participating lenders.
10. Grant Compliance Indicators will be calculated by the Department using the monthly data reporting submissions and assessed on a quarterly basis as part of regular grant management meetings with lenders, relative to an agreed set of thresholds.
11. The Department retains the ability to hold lenders to account through this mechanism, with options ranging from grant termination (instances of significant non-compliance), improvement plans and lending limitations (instances of moderate non-compliance) and information resolution (instances of minor non-compliance).
12. Grant Compliance Indicators will be agreed prior to the commencement of the Grant Funding Agreement with each lender, at the start of the lender contract period and will be reviewed with lenders on an ongoing basis. Full details of the lender Grant Compliance Indicators are outlined in Appendix 4.

## Public reporting

13. The Department will publish details of all single Minimum Financial Assistance (MFA) awards in excess of £100,000 of grant funding, as and when they occur. The

Department will also publish Official Statistics reports to GOV.UK on Scheme delivery, each month following the first month of delivery. This will include reporting on the volume and value of loans issued (by month and cumulative), and their distribution by both geography and individual lenders.

### **Scheme controls**

14. The Scheme includes a set of preventive and detective controls to protect public funds and ensure Scheme integrity. These controls cover:
  - eligibility verification;
  - compliance with Scheme rules and contractual terms; and
  - reconciliation of grant funding.
15. Controls are designed to operate alongside, rather than duplicate, lenders' existing internal controls and regulatory obligations.
16. Lenders will be required to operationalise the controls required to mitigate key risks in line with the Department's agreed Scheme's risk appetite position. Full details of the Scheme's control requirements are outlined in Appendix 5.

### **Market conduct and interest rate reporting**

17. The Scheme is designed to operate within existing market conduct and competition frameworks.
18. Lenders retain autonomy over pricing and product design, subject to regulatory requirements. To support transparency and value for money assessment, lenders will be required to provide information on pricing and interest rates for Scheme-supported products.
19. This information is intended for monitoring and assurance purposes only and does not constitute price control. The pricing and interest rate data required for each loan issued under the Scheme will be set out in the Department's Lender Data Reporting Templates, as described in Appendix 3.
20. Under the Grant Funding Agreement, the Department retains the right to audit participating lenders in relation to Scheme compliance.
21. Where issues of non-compliance are identified, the Scheme provides for proportionate remedial action, which may include:
  - Corrective actions;
  - Suspension of grant claims; and/or
  - Recovery of funding, where appropriate.
22. Audit and remedial processes are intended to be risk based and proportionate.

## **Dispute resolution process**

23. There is an expectation that the Department and lenders will discuss disputes through the appointed Grant Managers in the first instance, except when the dispute is related to a material breach of Scheme Rules or GFA to the degree immediate action is required.
24. If the dispute cannot be resolved, the matter will be escalated to formal meeting between the Authority Grant Manager and the Grant Recipient's chief executive (or equivalent). This may result in a being put in place, or in serious cases of non-compliance, removal from the Scheme.
25. The requirements of a Remedial Action Plan will be dependent on the specific type of non-compliance being addressed. The Department has discretion over using a Remedial Action Plan and can pursue removal from the Scheme immediately if warranted.

## **Lender exclusion provisions**

26. The Scheme includes provisions to suspend or exclude lenders where participation requirements are not met. Exclusion may arise in circumstances including, but not limited to, the following:
  - material or repeated non-compliance with Scheme rules;
  - failure to meet contractual or reporting obligations; or
  - issues that pose a material risk to consumers or public funds.
27. Any suspension or exclusion would be managed in accordance with the terms set out in the Grant Funding Agreement.

## **Evaluation framework**

28. The Scheme will be subject to a formal evaluation framework, designed to assess Scheme processes, effectiveness, value for money, and market impact over time. Evaluation is expected to consider:
  - consumer outcomes (including affordability and use of installed technologies);
  - lender participation and behaviour;
  - contribution to wider policy objectives; and
  - lessons for future Scheme development.
29. Evaluation activities will be conducted separately from routine monitoring and will focus on aggregated evidence and analysis. They will not affect individual lending decisions or lender participation in the Scheme.
30. Lenders are required to support the Department's evaluation by facilitating contact with consumers where reasonable.

## 9. Queries and feedback

1. For any queries or feedback regarding the WHLS or this document, please contact [gfpolicy@energysecurity.gov.uk](mailto:gfpolicy@energysecurity.gov.uk)

## Appendix 1. Related publications and useful links

Full Scheme documentation can be found at: [Link to GOV.UK URL once known].

## Appendix 2. Glossary

Term	Definition
Nominal Rate	<p>The annualised interest rate applied to the loan balance, expressed on a nominal basis and not adjusted for compounding within the year.</p> <p>All references to rates in financial mechanism are to the nominal rate (also referred to as the Annual Fixed Rate) unless otherwise stated.</p>
APR	<p>The effective annual rate that reflects the total cost of borrowing, including interest, fees, and compounding effects, expressed as a standardised annual percentage.</p> <p>Provision of the APR is a contractual obligation, but it is not used for the purposes of grant calculation or policy calibration under this Scheme.</p>
Market Rate	<p>The lender's prevailing interest rate for an equivalent unsubsidised product offered in the market at the point of origination, expressed as a nominal Annual Fixed Rate.</p> <p>This reflects the lender's standard pricing, prior to the application of any grant or buy-down.</p>

<p>Starting Rate</p>	<p>The rate used for the purposes of calculating the government grant, expressed as a nominal Annual Fixed Rate.</p> <p>This will normally be equal to the Market Rate. Where multiple buy-down components are present, the Starting Rate shall refer to the rate used as the baseline for deriving the grant, prior to the application of any such buy-downs.</p>
<p>Target Rate</p>	<p>The borrower interest rate intended to be achieved after application of the government grant, expressed as a nominal Annual Fixed Rate.</p> <p>The Target Rate reflects the policy objective (e.g. up to c.5 percentage points reduction from the Starting Rate), subject to the grant cap.</p>
<p>Contractual Rate</p>	<p>The interest rate agreed between the lender and the borrower and specified in the loan agreement, expressed as a nominal Annual Fixed Rate.</p> <p>This represents the final borrower rate after application of all applicable buy-downs or subsidies.</p>
<p>BUS</p>	<p>Boiler Upgrade Scheme. A Government grant scheme supporting low-carbon heating installations, particularly heat pumps, with specific technical and eligibility standards. Similar schemes operate in the devolved administrations.</p>
<p>CCA</p>	<p>Consumer Credit Act. UK legislation governing consumer credit agreements and associated consumer protections.</p>
<p>EPC</p>	<p>Energy Performance Certificate. A certificate that provides an energy efficiency rating for a property, expressed on a scale from A (most efficient) to G (least efficient), based on a standardised assessment methodology.</p>
<p>FCA</p>	<p>Financial Conduct Authority. The UK regulator for financial services, responsible for regulating participating lenders and enforcing conduct requirements.</p>

GFA	Grant Funding Agreement. The legally binding agreement between the Department and participating lenders governing grant payments, reporting, compliance, and clawback arrangements.
Installer	A business undertaking installation of eligible measures under the Scheme, required to hold appropriate certification (such as MCS) for the relevant technologies.
MCS	Microgeneration Certification Scheme: The approved certification body for installers and installations of eligible low-carbon technologies under the Scheme
Point-of-sale Finance	Finance offered to consumers in connection with an installation, typically arranged through installers or intermediaries rather than directly with the lender, also called embedded finance.
PRS landlord	A landlord in the Private Rented Sector. The segment of the housing market where residential properties are owned by private landlords and rented to tenants, excluding social housing. Under the Scheme, PRS eligibility applies to private landlords financing eligible measures in domestic rental properties.
Owner occupier	Owner occupier refers to someone who has bought the property that they live in.

## Appendix 3. Lender Data Reporting Templates

### Loan-level reporting data template

Data Attribute Name	Data Type (e.g. Text, Numerical etc.)	Categorical Data	Validation Rules	Personal Data
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Warm Home Loan Scheme – Scheme Rules

Application Source	Single Choice	Yes	Direct' 'Broker' 'Installer' 'Comparison Site' 'Other'	No
Application status	Single Choice / Free Text	Yes	Started' 'Submitted' 'Approved' 'Withdrawn' 'Rejected' 'Declined – credit' 'Cancelled – installer' 'Duplicate' 'Other coded reason '	No
Application Status Update Date	Date	No	Must not be in the future	No
APR	Percentage	No	Must be %	No
Arrears status	Numerical	Yes	Current / 30 / 60 / 90+	No
Contractual Rate	Percentage	No	Must be %	No
Current Loan Performance Issues	Multiple Choice	Yes	No issues' 'Arrears' 'Forbearance' 'Default '	No
Date loan disbursed	Date	No	Must be date from scheme start date onwards	No
Date loan formally approved	Date	No	Must be date from scheme start date onwards	No

Warm Home Loan Scheme – Scheme Rules

FCA vulnerability category (if applicable)	Single Choice	No	Health' 'Life Events' 'Financial Capability' 'Cognitive Impairment'	No
Full Installation Address (e.g. building, number/name, street, town)	Text	No	N/A	No
Full Installation Postcode	Text	No	Must be valid postcode	No
Lender	Text	Yes	Must match approved lender list	No
Lender ID	Text	Yes	Must match assigned lender ID (format WHLS_00X)	No
Lender Specific Loan ID	Text	Yes	Must be unique (primary identifier)	No
Loan amount	Numerical	No	Must be between £1 - £35,000	No
Loan Clawback Value	Numerical	No	Must be £  Must be more than or equal to 0  Must be less than or equal to loan grant value claimed	No
Loan grant value claimed	Numerical	No	Must be £ Must be >0	No
Loan Product Name	Text	Yes	Must match predefined product list	No

Warm Home Loan Scheme – Scheme Rules

Loan Product Type	Single Choice	Yes	Secured' 'Unsecured' 'Point of Sale'	No
Loan Recipient Contact Number	Number	No	Must not be more than 15 digits	Yes
Loan Recipient Email Address	Text	No	Must contain '@'	Yes
Loan Recipient Name	Text	No	N/A	Yes
Loan term	Months	No	Must be between 1-240	No
Market Rate	Percentage	No	Must be %	No
MCS Installer Certification Number	Numerical	No	To be defined	No
Monthly repayments	Numerical	No	Must be £	No
Payment holiday / restructure	Single Choice	No	Must be 'Y' or 'N'	No
Primary Resident Name	Text	No	N/A	Yes
Property Use Attestation (Residential)	Single Choice	No	Must be 'Y' or 'N'	No
Redress amount (if applicable)	Numerical	No	Must be £	No
Starting Rate	Percentage	No	Must be %	No

Target Rate	Percentage	No	Must be %	No
Tenure Type	Single Choice	Yes	Owner Occupier' 'Private Rental Sector' 'Social Rental Sector'	No
UPRN	Text	Yes	Must be 12-digits	No
Withdrawal / rejection reason codes	Single Choice	Yes	"Loan amount exceeds maximum threshold" "Quote provided by non-MCS registered tradesperson" "Ineligible measure" "Ineligible property" "Lender credit/affordability check" "other"	No

**Measure-level reporting data template**

<b>Data Attribute Name</b>	<b>Data Type (e.g. Text, Numerical etc.)</b>	<b>Categorical Data</b>	<b>Validation Rules</b>	<b>Personal Data</b>
Actual Cost of Measure	Numerical	No	Must be £	No
Installed capacity (numeric value + unit: kW / kWp / kWh as applicable to measure type)	Text	No	Must be numeric value + unit (e.g. 'kW' / 'kWp' / 'kWh' as applicable to measure type)	No

Warm Home Loan Scheme – Scheme Rules

Lender	Text	Yes	Must match approved lender list	No
Lender ID	Text	Yes	Must match assigned lender ID (format WHLS_00X)	No
Lender Specific Loan ID	Text	Yes	Must be unique (primary identifier)	No
Loan Measure Type	Single Choice	Yes	"Air-to-water source heat pump" "Air-to-air source heat pump" "Ground-to-water source heat pump" "Water-to-water source heat pump" "Biomass boiler" "Solar PV" "Electrical storage battery" "Heat network connection" "Domestic pole- or building-mounted wind turbine" "Domestic micro-hydro turbine"	No
MCS Installation Certificate Number	Numerical	No	To be defined	No
MCS Installer Certification Number	Numerical	No	To be defined	No
Quoted Cost of Measure	Numerical	No	Must be £	No

Scheme Cap Limit for the Measure	Numerical	No	Must be £	No
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**Complaints-level reporting data template**

<b>Data Attribute Name</b>	<b>Data Type (e.g. Text, Numerical etc.)</b>	<b>Categorical Data</b>	<b>Validation Rules</b>	<b>Personal Data</b>
Complaint Handled - Closed'	Count of	No	Between 0-999	No
Complaint Handled - Still Open'	Count of	No	Between 0-999	No
Complaint Not Yet Responded To'	Count of	No	Between 0-999	No
Complaint Open'	Count of	No	Between 0-999	No
Lender	Text	Yes	Must match approved lender list	No
Lender ID	Text	Yes	Must match assigned lender ID (format WHLS_00X)	No

Warm Home Loan Scheme – Scheme Rules

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Loan Complaint Category 'Access to product (including temporary restrictions)'	Count of	No	Between 0-999	No
Loan Complaint Category 'Claims under section 75 of the Consumer Credit Act (CCA)'	Count of	No	Between 0-999	No
Loan Complaint Category 'Financial difficulties'	Count of	No	Between 0-999	No
Loan Complaint Category 'Fraud'	Count of	No	Between 0-999	No
Loan Complaint Category 'Incorrect credit records (not fraud related)'	Count of	No	Between 0-999	No

Warm Home Loan Scheme – Scheme Rules

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Loan Complaint Category 'Information provision or content (including commission)'	Count of	No	Between 0-999	No
Loan Complaint Category 'Irresponsibility of lending and/or unaffordability of product'	Count of	No	Between 0-999	No
Loan Complaint Category 'Other'	Count of	No	Between 0-999	No
Loan Complaint Category 'Other product design'	Count of	No	Between 0-999	No
Loan Complaint Category 'Other product performance, general administration and customer support'	Count of	No	Between 0-999	No

Loan Complaint Category 'Other product sale'	Count of	No	Between 0-999	No
Loan Complaint Category 'Price, sums, fees and charges'	Count of	No	Between 0-999	No
Loan Complaint Category 'Return of goods'	Count of	No	Between 0-999	No
Loan Complaint Category 'Suitability of product'	Count of	No	Between 0-999	No

**Fraud reporting data template**

<b>Data Attribute Name</b>	<b>Data Type (e.g. Text, Numerical etc.)</b>	<b>Categorical Data</b>	<b>Validation Rules</b>	<b>Personal Data</b>
Case End Date (If applicable)	Date	No	Must be date from scheme start date onwards	No
Case Started (* Required)	Date	No	Must be date from scheme start date onwards	No

Warm Home Loan Scheme – Scheme Rules

Fraud / Non-Compliance Case Type	Single Choice	Yes	'Fraud' 'Error' 'Non-Compliance'	No
Fraud Case Detailed Description	Text	No	Free text allowed	No
Fraud Case Summary	Text	No	Free text allowed	No
Fraud Loss Type	Single Choice	Yes	'Prevented' 'Detected' 'Prevented and Detected' 'Recovered' 'Recovered and Detected'	No
Fraud Risk Area: Scheme Administration	Single Choice	Yes	'Identity Fraud' 'Manipulation of eligibility or approval processes' 'Collusion / Bribery' 'Installation Fraud' 'Contract Rigging' 'Mandate Fraud' 'Payment Fraud' 'Misuse of Funding' 'Other'	No
Lender	Text	Yes	Must match approved lender list	No
Lender ID	Text	Yes	Must match assigned lender ID (format WHLS_00X)	No
Loan ID	Text	Yes	Must be unique (primary identifier)	No
Summary of Risk	Multiple Choice	Yes	'Scheme admin/administration' ' Customer/Beneficiary' ' Property' 'Measure/installation' ' Supplier' 'External'	No

Warm Home Loan Scheme – Scheme Rules

Who committed fraud, error or non-compliance	Single Choice	Yes	Homeowner' 'Landlord' 'Installer/Supplier' 'Other'	No
Fraud Risk Area: Customer Beneficiary	Single Choice	Yes	Collusion Between the Department, acting as scheme administrator, and Homeowner/Landlord' 'Collusion Between Supplier and Homeowner/Landlord'  'Ineligible Application - False Information on the Application: Undeclared Partners' 'Ineligible Application - False Information on the Application: Income' 'Ineligible Application - False Information on the Application: Benefit Receipt' 'Ineligible Application - False Information on the Application: Other'  'Ineligible Application - False Information on the Application: False ID' 'Coercion' 'Other'	Yes
Fraud Risk Area: Property	Single Choice	Yes	Ineligible Property - False Information on the Application' 'Ineligible Property - Non-Domestic' 'Property Does Not Exist' 'Other'	Yes

Warm Home Loan Scheme – Scheme Rules

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Fraud Risk Area: Measure/Installation	Single Choice	Yes	Measure Already Exists in the Property' 'Measure Not Compliant With Standards/Cannot Be Lodged' 'Measures Not Installed' 'Measure Substitution (And Substitution Not Compliant)' 'Overstating the Cost of Measures/Materials' 'Other'	Yes
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<p>Fraud Risk Area: Installer/Supplier</p>	<p>Single Choice</p>	<p>Yes</p>	<p>Collusion Between Supplier and Homeowner/landlord' 'Collusion Between Supplier and Retrofit Co-Ordinator' 'Conflict of Interest Between Supplier and Homeowner/Landlord' 'Supplier Invoice/Proposal - Charging for Additional/Cancelled Work' 'Supplier Invoice/Proposal - For Non-Existing Enabling or Ancillary Work' 'Supplier Invoice/Proposal - Charging for Incomplete Measures' 'Supplier Invoice/Proposal - Charging for Measures Not Installed' 'Supplier Invoice/Proposal - Charging for Non-Compliant Measures' 'Supplier Invoice/Proposal - Charging Incorrect Amount' 'Supplier Invoice/Proposal - Duplicate Charging for Measures/Labour' 'Supplier Invoice/Proposal - Falsified Account Details to Divert Funds' 'Supplier Invoice/Proposal - VAT' 'Supplier Not Accredited' 'Supplier Loses Accreditation (Midway Delivery)' 'Neither Main Installer nor Sub-Contractor is MCS Accredited'  'Other'</p>	<p>Yes</p>
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Warm Home Loan Scheme – Scheme Rules

Fraud Risk Area: External	Single Choice	Yes	'Mandate Fraud - Unrelated to Scheme Properties' 'Mis-Selling of Scheme' 'Scams' 'Phishing' 'Other'	Yes
Fraud identification source	Single Choice	Yes	Allegation Received From Public' 'Due-Diligent Checks Installer' 'Due-Diligent Checks Landlord' 'Eligibility Criteria/Rules Checking' 'Energy Efficiency Installation Checker' 'Intel Received From Other Organisation (e.g., Delivery Partner, DESNZ)' 'Internal Quality Assuring Checks' 'Invoice Checking' 'Occupier Eligibility Checking' 'Reconciliation Checks: Invoices' 'Reconciliation Checks: Measures' 'Routine/Site Audit' 'MCS: Checking Installation of Measures Meet Requirement' 'MCS: Checking Installer Accredited' 'Whistleblower' 'Other'	No
Fraud Value Detected	Numerical	No	Must be greater than or equal to 0' 'Must be in £'	No
Fraud Error Value	Numerical	No	Must be greater than or equal to 0' 'Must be in £'	No

Fraud Value Estimated	Numerical	No	Must be greater than or equal to 0' 'Must be in £'	No
Fraud Value Recovered	Numerical	No	Must be greater than or equal to 0' 'Must be in £'	No
Fraud Value Prevented	Numerical	No	Must be greater than or equal to 0' 'Must be in £'	No
Owning Team	Single Choice	Yes	Lender' 'DESNZ'	No

## Appendix 4. Lender Grant Compliance Indicators

Lender Grant Compliance Area	Lender Grant Compliance Measure	Measure Description
Customer Offer and Affordability	Grant Claim Accuracy Rate	Proportion of grant claims failing validation checks based on scheme prescribed methodology or requiring correction.
	Average Market Rate Deviation	The average difference between the lender's Starting Rate and the market benchmark or closest comparator product in the lender's portfolio.
	Grant Pass on Compliance Rate	The average difference between the APR of supported loans (including interest, compounding and fee) and the market benchmark or closest comparator product in the lender's portfolio.

Credit Risk and Financial Sustainability	Arrears Rate	Proportion of active loans that are in arrears (any level)
	Default Rate	Proportion of loans that have entered default
Customer Experience and Protection	Complaint Resolution Rate	Proportion of complaints that have been resolved or closed within the reporting period
Compliance and Scheme Integrity	MCS Accreditation Compliance Rate*	Proportion of installations delivered by MCS-accredited installers.
Fraud and Financial Crime	Fraud Recovery Rate	Proportion of detected fraudulent value that has been successfully recovered
Data Quality and Reporting Integrity	Data Accuracy / Error Rate	Proportion of records failing validation checks or requiring correction.
	Timeliness Of Reporting	Proportion of submissions delivered on time each month.

## Appendix 5. Lender Control Requirements

Control	Output	Risk Addressed
Verification of Homeowner Approval - The lender must obtain documented homeowner consent/authorisation (e.g., signed declaration or verified digital consent) before submitting the application and prior to any disbursement.	Consent evidence recorded and retained in the application file (including timestamp and version of wording).	Customer Affordability and Conduct

Warm Home Loan Scheme – Scheme Rules

<p>Affordability and Credit Checks - Before loan approval, the lender completes affordability and credit checks using regulated lending systems, approved policies, and relevant applicant information.</p>	<p>Credit decision and affordability evidence retained on the application file.</p>	<p>Customer Affordability and Conduct</p>
<p>Formal Complaints Handling - As complaints arise, the lender manages complaints through its formal complaints handling process, recording the complaint, investigating the matter, and providing a response and resolution in line with policy and regulatory requirements.</p>	<p>Complaint records, responses, and resolution outcomes retained.</p>	<p>Customer Affordability and Conduct</p>
<p>Suspected Fraud Escalation to the Department, acting as Scheme Administrator - Where a lender identifies a suspected fraudulent loan application, the lender escalates the matter to the Department in line with scheme reporting requirements.</p>	<p>Fraud escalation alerts, shared lessons learned, and documented review or reporting actions retained.</p>	<p>Fraud and Financial Crime</p>
<p>Fraud Incident Response - The lender must maintain and operate a fraud incident response process, including identification, investigation, containment (e.g., suspend disbursement), reporting, and remediation.</p>	<p>Completed fraud incident log/report with investigation steps, outcomes, and any recovery actions.</p>	<p>Fraud and Financial Crime</p>
<p>Consumer Identity and Property Eligibility Checks - Before loan approval, the lender completes consumer identity verification and property eligibility checks using regulated KYC tools, approved property data sources, and the applicable scheme rules.</p>	<p>Recorded pass/fail identity and property eligibility checks retained on the lender application file.</p>	<p>Fraud and Financial Crime</p>

<p>Installer Accreditation Checks - Before approval and again before installation, the lender verifies that the installer is appropriately accredited using the relevant MCS data source or other approved accreditation records.</p>	<p>Recorded installer accreditation check retained on the application and loan file.</p>	<p>Fraud and Financial Crime</p>
<p>Quote and Measure Eligibility Validation - Before approving the application, the lender validates the quote and confirms that the proposed measures are eligible under the Scheme rules.</p>	<p>Approved quote and measure eligibility record retained on file.</p>	<p>Installation Advice, Suitability and Quality</p>
<p>Verification of Installation Evidence - Before releasing final payment, the lender verifies installation completion evidence, such as MCS certification or other required completion documentation, using the relevant evidence source or system.</p>	<p>Verified completion evidence retained on the case file before final payment.</p>	<p>Installation Advice, Suitability and Quality</p>
<p>Monthly Lender Compliance Meetings – Lenders attend a monthly compliance meeting to review grant compliance, pipeline volumes, complaints/customer themes, exceptions, operational issues, and outstanding actions.</p>	<p>Agreed lender compliance meeting minutes and action log with owners and target dates retained.</p>	<p>Operational Inefficiency and Capacity</p>

## Appendix 6. Grant Calculation Methodology

### Purpose

This appendix provides further detail on the grant calculation methodology used for the Scheme. It should be read alongside Section 6 Financial mechanism. The appendix explains:

- How the principal reduction grant is calculated
- What supporting tables and formulas lenders should refer to when calculating grant

- What records lenders should retain to support grant computations and audit

## Grant calculation

The grant calculation follows four steps.

Step 1: Calculate the target monthly repayment.

- This calculates the scheduled repayment payable by the borrower after application of the grant, based on the Target Rate.

$$M_t = \frac{P * r_t}{(1 - (1 + r_t)^{-n})}$$

- Where:
  - $M_t$  = Target Monthly Payment
  - P = eligible loan principal
  - $r_t$  = Target Rate ÷ 12
  - Target Rate = the borrower interest rate intended to be achieved after application of the government grant, expressed as a nominal Annual Fixed Rate
  - n = loan term in months

Step 2: Calculate the principal after grant.

- This calculates the reduced principal amount that the lender finances at the Starting Rate, assuming the borrower pays the target monthly repayment.

$$P^G = \frac{M * [1 - (1 + r_s)^{-n}]}{r_s}$$

- Where:
  - PG = Principal After Grant
  - $M_t$  = Target Monthly Payment
  - $r_s$  = Starting Rate ÷ 12
  - Starting Rate = the rate used for calculating the government grant, expressed as a nominal Annual Fixed Rate
  - n = loan term in months

Step 3: Calculate the uncapped grant.

- This is the difference between the eligible loan amount and the reduced principal after grant

$$G_u = P - P^G$$

- Where:
  - $G_u$  = uncapped grant amount
  - $P$  = eligible loan principal
  - $PG$  = Principal After Grant

Step 4: Apply the Scheme cap.

- The capped grant is the lower of
  - the calculated grant and
  - the maximum grant allowed under the Scheme cap

$$G_c = \min (P * C, P - P^G)$$

- Subject to:
  - No grant applies where the loan term is below the minimum eligible term.
- Where:
  - $G_c$  = capped grant amount
  - $C$  = grant cap
  - $P$  = eligible loan principal
  - $PG$  = Principal After Grant

### Low-rate loans

- The Scheme is intended to reduce the borrower's cost of credit
- It is not intended to create a negative borrowing rate
- Where the Starting Rate on a loan is lower than the intended Target Rate reduction, the grant shall be limited such that the supported borrower rate does not fall below zero.
- For example, where a loan has a 3% Starting Rate, the grant should be limited to the amount required to reduce the Target Rate to zero.
- It should not apply a full five percentage point reduction where doing so would create a below-zero supported rate.

### Lender records

- Lenders will need to retain sufficient records to support grant calculations for the End Date as specified in the Grant Funding Agreement.
- The list of relevant loan-level records are outlined in Appendix 3.
- The Department reserves the right to audit grant calculations at individual loan level.

# Appendix 7. Clawback Methodology

## Purpose

This appendix provides further detail on the calculation methodology for clawback under the scheme. It should be read alongside Section 6 Financial mechanism and the Grant Funding Agreement.

The appendix explains:

- How the grant vests over time
- How full and partial repayment events are treated
- How key loan events including arrears, payment holidays and default are expected to be treated
- What records lenders should retain to support clawback calculation and audit

## Overview

The scheme includes clawback arrangements to protect public value and Scheme integrity. Clawback may apply where grant funding has not been used, retained or passed through in line with scheme requirements.

This may include:

- Full early repayment or refinance
- Partial early repayment or overpayment
- Where grant support can no longer be fully passed through to the borrower
- Confirmed ineligibility or other non-compliance with scheme requirements
- Loan cancellation
- Loan sales (where a lender decides to treat it as full early repayment)

For the avoidance of doubt, all references to rates in this Appendix are to the Annual Fixed Rate (i.e. the nominal interest rate), and do not refer to any effective rate, APR, or IRR measure.

## Grant earning approach

- At loan issue, the eligible loan is supported by a principal reducing grant.
- The grant reduces the amount that needs to be financed commercially by the lender, while the borrower receives the supported repayment profile.
- At origination, the grant is treated as fully provided but not yet vested.

$$G_0 = \textit{original grant amount}$$

$$V_0 = 0$$

$$U_0 = G_0$$

- Where:
  - $G_0$  = original grant amount
  - $V_0$  = grant vested at origination
  - $U_0$  = unvested grant at origination
- The grant vests progressively over time as the borrower makes payments under the supported repayment profile.
- The grant vested is regarded as the variance between:
  - Interest vested under the lender profile i.e. reduced principal amortised at Starting Rate
  - Interest vested under the borrower profile i.e. full principal amortised at Target Rate

- The period-by-period grant vesting logic is:

$$E_t = I_t^L - I_t^B$$

- Where:
  - $E_t$  = Grant vested in period t
  - $I_t^L$  = interest vested under the lender profile in period t
  - $I_t^B$  = interest vested under the borrower profile in period t
- This reflects the economic value expected by the lender through borrower cashflows, consistent with the lender's required return.
- The cumulative grant vested at any point is the sum of grant vested in each completed period.

$$V_t = \sum E_k \text{ for } k = 1 \text{ to } t$$

- Where:
  - $V_t$  = cumulative grant vested up to period t
  - $E_t$  = grant vested in each period
- The remaining unvested grant is the original grant amount less the cumulative grant vested. It represents the grant support that has not yet been vested through the borrower's supported payment profile.

$$U_t = G_0 - V_t$$

- Where:
  - $U_t$  = remaining unvested grant at period t
  - $G_0$  = original grant amount
  - $V_t$  = cumulative grant vested up to period t
- In essence, grant vests by reference to the economic value delivered to the lender over time, through the borrower's payment profiles.

### Clawback computation

- Where a repayment or other relevant event occurs, clawback reflects the portion of grant support no longer required to maintain the lender's economic position.
- At the event date, the model:
  - Identifies the borrower balance before the event
  - Identifies the lender economic balance before the event
  - Applies the borrower repayment or prepayment received
  - Recalculates the borrower's remaining contractual cashflows
  - Calculates the present value of those remaining cashflows at the lender required rate
- The clawback amount is calculated as:

$$C_t = B_t^L - P_t - PV_t$$

- Where:
  - $C_t$  = clawback at event date t
  - $B_t^L$  = lender economic balance at event date t
  - $P_t$  = borrower repayment or prepayment received at event date t
  - $PV_t$  = present value of remaining borrower cashflows after the event, discounted at the lender required rate
- Equivalently, clawback can be expressed as the reduction in unvested grant as a result of the event:

$$C_t = U_t - \tilde{U}_t$$

- Where:
  - $U_t$  = unvested grant before the event
  - $\tilde{U}_t$  = grant support still required after the event

- This reflects the grant support provided to bridge the lender’s commercial return and the borrower’s supported repayment profile.
- This approach is intended to keep the borrower profile, lender profile and grant earning profile aligned over the life of the supported loan and at each repayment event.
- The lender is expected to calculate the unvested grant at the event date.

### **Full early repayment or refinance**

- Where a loan is repaid or refinanced in full, there are no remaining borrower cashflows.

$$PV_t(RP) = 0$$

$$Clawback_t = U_t$$

- The remaining unvested grant shall be subject to clawback, subject to any recoverability rules specified in Scheme guidance or the Grant Funding Agreement.

### **Partial repayment or overpayment**

- Where a borrower makes a partial repayment or overpayment, remaining borrower payments continues after the event.
- Clawback reflects the reduction in grant required due to acceleration of repayments.

$$C_t = \max(0, B_t^{L\text{open}} - PP_t - PV_t(RP))$$

Where:

- $B_t^{L\text{open}}$  = lender opening balance at the event date
- $PP_t$  = borrower prepayment at the event date
- $PV_t(RP)$  = present value of remaining borrower payments after the event
- $C_t$  = clawback or grant adjustment at the event date
- Any residual grant continues to vest over the remaining loan term life of the loan through the interest differential between the lender and borrower profiles.

### **Recoverability rule**

The clawback amount should not exceed the relevant unvested grant or the value recoverable under the agreed Scheme mechanics.

$$Recoverable\ clawback_t = \min(U_t, Recoverable\ value_t)$$

### **Arrears and payment holidays**

- Arrears or payment holidays will not, by themselves, trigger clawback (nor top-up).
- The grant continues to vest in line with the original vesting profile.
- Where arrears are subsequently resolved through repayment, clawback is calculated by reference to the original loan term, in accordance with the standard clawback methodology.

## **Default**

- Where a loan enters full default, any unvested portion of the grant shall be treated as a loss to the Scheme.
- Default outcomes shall be managed in accordance with the lender's agreed recovery processes.
- The amount available for clawback shall be determined with reference to recovery proceeds realised or reasonably expected, after application of the lender's recovery mechanics.
- The Department's recovery shall be limited to the amounts so available, unless otherwise expressly agreed.

## **Records and reporting**

Lenders will need to retain sufficient loan-level records to support clawback calculations.

Records should include, where applicable:

- Loan identifiers, origination date, eligible loan amount, loan term, maturity date and relevant rate fields, including Starting Rate, Target Rate and Contractual Rate
- Schedule of contractual borrower payments and revised borrower payment profile, where relevant
- Grant value claimed, grant claim reference and grant payment date
- Grant vested, cumulative grant vested and remaining unvested grant by period
- Full repayment, partial repayment, overpayment, refinance, arrears, payment holiday, default, cancellation, ineligibility or non-compliance events, including relevant dates and amounts
- Clawback trigger and any outstanding clawback amount
- Supporting evidence needed to validate grant claims, clawback calculations, reconciliation and audit

The Department reserves the right to audit clawback calculations at individual loan level

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