Green Finance Institute

Unsecured Green Home Loans: Consumer Protection and Scale in International Markets

International innovation and consumer protection can provide inspiration for delivering warm and energy efficient UK homes at pace and scale.

November 2024

greenfinanceinstitute.com

Executive Summary

Addressing the energy efficiency of homes has become increasingly urgent due to rising energy prices and the pressing need to meet sustainability targets aimed at reducing greenhouse gas emissions (GHGs). In 2022, residential buildings accounted for 20% of the UK's GHG emissions[1]. The Climate Change Committee (CCC), the government's independent advisory body, has emphasised that the UK cannot achieve its emissions targets without the near-complete elimination of GHGs from buildings and the decarbonisation of the housing stock[2]. In this context, broadening access to a range of financial solutions is essential to facilitate the transition to greener homes.

Unsecured loans, in particular, are accessible to many able-to-pay homeowners, and expanding the availability of these loans for green home improvements can help normalise and accelerate the transition of UK homes. The Government plans to work with banks and other lenders to expand the offering of affordable financial solutions for homeowners and scale green home finance. These efforts are vital to ensure that more households can invest in energy-efficient and resiliency upgrades, insulating homeowners from energy bill spikes and contributing to national sustainability goals. By expanding access to more affordable financing options, the UK government can help empower homeowners to take proactive steps towards improving their homes.

Sustained demand for green home technologies builds confidence in supply chains and supports scalability. By increasing the availability of financing, we make it easier for homeowners to access the essential goods and services needed to improve energy efficiency and resilience of homes. Strengthening demand for energy efficiency and resilience measures among homeowners can foster robust supply chains across the UK, ultimately benefiting all types of housing.

Meanwhile, the unsecured green home loan market is experiencing rapid growth elsewhere in Europe, with a significant portion of these loans directed towards homes. This surge is driven by the need to meet sustainability targets and consumer demand for green housing solutions[3]. However, there has also been a recognised need for more financing aimed at enhancing the energy efficiency of existing homes, highlighted by the rise in publicly funded schemes focused on improving building energy performance. Despite this growth in mainland Europe, a notable gap remains in solutions specifically tailored for the 23.3 million privately owned UK homes[4]. Addressing this gap is essential, as the availability of financing is crucial for both enabling and normalising the transition to greener homes. Developing targeted financial products for this demographic would facilitate this transition and contribute towards improving the overall energy performance of the existing housing stock.

This analysis compares the UK's green home loan market with international counterparts, particularly focusing on jurisdictions with regulatory frameworks that closely align with the UK[5]. By benchmarking the UK's unsecured green home loan sector against thriving markets in other regions, this research aims to highlight best practices that could inform future government policy and product development in the UK. The table below provides a comparative summary of the key findings across these countries.

1 Housing and net zero - House of Commons Library (parliament.uk)
2 UK housing: Fit for the future? - Climate Change Committee (theccc.org.uk)
3 EBA report on green loans and mortgages_0.pdf (europa.eu)
4 Office for National Statistics: Families and households in the UK: 2023 https://files.bregroup.com/bretrust/The-Housing-Stock-of-the-United-Kingdom_Report_BRE-Trust.pdf. Privately owned homes are the sum of the 63% owner occupied and 19% privately rented homes in the UK.
5 Other countries examined as part of this analysis include both the U.S. and New Zealand. In this document "green home loan" is used interchangeably with "unsecured green home loan".

Country	Similarity to UK's legislative environment for loans	Unsecured green home loans availability	Government backed green home loan?	Transferability ease to the UK
UK	-	Low	✘[6]	-
Ireland	↑	Moderate	✔	↑
Belgium	→	High	✔	→
France	↘	High	✔	↘
Germany	↘	High	✔	↘
Spain	↓	High	✘	↓
Denmark	↓	High	✔	↓

Ireland offers directly applicable insights for the UK due to its highly comparable legislative environment and a government-backed scheme designed to accelerate home retrofits and increase the availability of commercially viable unsecured green home loans.

To meet the Labour Party's manifesto commitments on sustainable housing and scale up the UK's green home loan market, we recommend adopting an approach inspired by the principles of Ireland's National Retrofit Plan. These principles have successfully driven demand for energy efficiency at pace and scale, and the UK Government has an opportunity to apply these principles domestically[7]. With the delivery window for the Warm Homes Local Grant opening in Spring 2025, this would be an opportune moment to provide clarity on the low-interest loan expected as part of the Warm Homes Plan (see Call-out box 1: Labour's Manifesto[8]).

Core principles inspired by Ireland's National Retrofit Plan include:

1. **Financing and Funding:** A multi-year public funding commitment should support a blend of funding models, incorporating private finance to develop the low-interest loan and grant system outlined in the Labour Manifesto (see Call-out box 1: Labour's Manifesto). In the short term, Ireland's Home Energy Upgrade Loan Scheme (HEULS) offers valuable insights by involving retail credit institutions and integrating grants to incentivise energy-efficient home upgrades. HEULS aims to encourage financial institutions to develop follow-on financing products specifically tailored to home energy upgrades, ultimately reducing reliance on public support as the market grows. A similar approach could be rapidly deployed in the UK, with the potential to meet or exceed the Climate Change Committee's recommended pathway[9]. In the medium term, reforming the UK's Consumer Credit Act (CCA) could help facilitate expansion of private sector unsecured green home financing solutions, while the German KfW model remains a promising longer-term goal for embedding green home finance into the UK market.

[6] Home Energy Scotland and the Development Bank of Wales provide grants and low-interest loans for energy efficiency and low-carbon home improvements only from public finance and only in Scotland and Wales respectively: Home Energy Scotland | Green Homes Wales - Dev Bank (developmentbank.wales) (see Call-out box 4: Public-Funded UK Loan Schemes).

[7] Through, for example, the Planning and Infrastructure Bill

[8] https://assets.publishing.service.gov.uk/media/66f1573cbd3aced9da489bcf/Warm-Homes-Local-Grant-guidance.pdf

[9] See section on Ireland: Availability of Unsecured Green Home Loans

[10] According to Barclays' report "Electrifying the future: boosting the energy efficiency of UK homes", 70% of homeowners want their homes to be more energy efficient, but ~35% are dissuaded from making energy efficiency improvements because they don't understand which options are right for their property. Barclays_Electrifying_the_future_report_FINAL.pdf

2. **Driving Demand and Activity:** Stimulate consumer demand by ensuring high quality standards, clear value for money, and a streamlined process for homeowners[10]. Establishing a network of registered one-stop-shops could make it easier for homeowners to navigate their options. A public awareness campaign could further build consumer confidence and increase engagement in home energy upgrades, as it has done in Ireland and as referenced in the GFI's 2024 greenprint "What next for accelerating the decarbonisation and resilience of the UK's building stock? The convergence of financial and real economy policy".

3. **Supply Chain, Skills, and Standards:** To meet the growing demand for energy-efficient home improvements, the UK must address challenges in the supply chain, workforce skills, and manufacturing and installation standards. A shortage of skilled workers in the green construction sector can be tackled through targeted incentives to expand the workforce. Equally crucial is the establishment of clear quality assurance processes to ensure homeowners achieve the right outcome the first time. This should include robust consumer protection mechanisms to build confidence in both the technologies and their installation. Streamlining supply chain processes while maintaining quality standards will help reduce fragmentation and foster trust in the sector. Homeowners must be assured that the renewable technologies covered by green finance schemes meet established standards, safeguarding both their investment and the broader green transition. To scale green home loan markets, a common framework is crucial[3]. The Green Home Finance Principles (GHFPs), co-developed by the Green Finance Institute (GFI) and the Loan Markets Association (LMA), aim to foster transparency, consistency, and integrity in the green home finance market, offering a structured approach to creating effective and credible green home loan products.

4. **Structures and Governance:** A clear governance framework is essential to drive the rapid implementation of home energy improvements, designating an organisation to set targets, monitor progress, and ensure high quality standards. Effective coordination among local authorities, industry stakeholders, and financial institutions is critical, as highlighted in **"Invest 2035: the UK's modern industrial strategy"**, the recent industrial strategy green paper, which includes calls for cross-sector collaboration[11]. A dedicated sectoral delivery group, as recommended in the GFI's 2024 greenprint and other industry and think-tank reports, would provide strategic oversight to guide the implementation and support successful rollout of green home improvements[10,12,13]. These reports stress the importance of such a group to guide implementation, mobilise capital, and facilitate coordination across sectors.

Implementing these principles would lay a strong foundation for a thriving green home loan market in the UK, ultimately enabling the transition to more energy-efficient, sustainable homes.

[11] https://www.gov.uk/government/consultations/invest-2035-the-uks-modern-industrial-strategy/invest-2035-the-uks-modern-industrial-strategy#partnerships-and-institutions

[12] See the GFI's 2024 greenprint "What next for accelerating the decarbonisation and resilience of the UK's building stock? The convergence of financial and real economy policy".

[13] https://www.ippr.org/articles/making-markets-the-citys-role-in-industrial-strategy

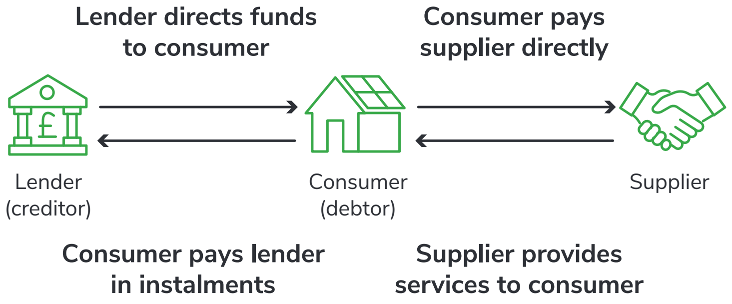
Contents

UK

In the UK, many unsecured financial solutions for home decarbonisation, such as personal loans or point-of-sale financing, align with the Green Home Finance Principles and may be referred to as unsecured green home loans, or simply green home loans[14]. These solutions offer distinct benefits and drawbacks for both lenders and borrowers.

Personal Loans

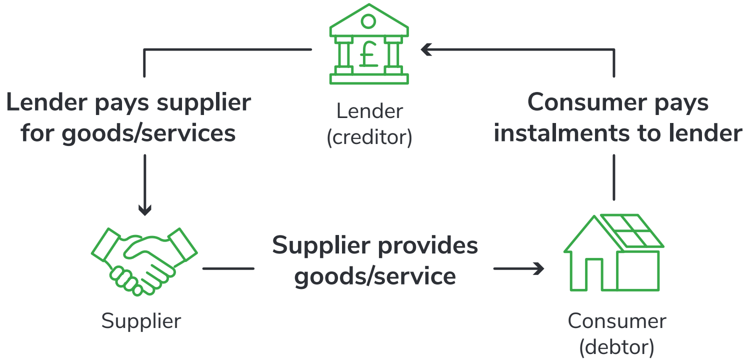
Funds sent from a lender direct to a borrower to use at their discretion ('borrower-lender' loans) may be referred to as a **personal loan**. Personal loans can fund various products, and while lenders may inquire about their use, borrowers have the freedom to spend the funds as they wish. To qualify as a green personal loan, lenders must certify that the funds are used for green or energy-efficient home improvements, which can be complex and costly to implement.



	Personal Loans	
	Pros	**Cons**
Homeowner (borrower)	**Borrower Flexibility:** Funds can be used for various purposes, allowing borrowers to choose how they use the money.	**Less Streamlined Process:** The application and verification process might be less smooth compared to other financing methods.
Lender	**Fewer Regulatory Risks:** These loans generally face fewer regulatory hurdles for lenders.	**Certification Challenges:** Lenders must prove that the funds are used for green improvements, which can be complicated and costly.

Point-of-Sale Finance

Point-of-sale finance commonly refers to finance structured as a 'borrower-lender-supplier' agreement, either where there are 'pre-existing arrangements' between the lender and the supplier, or the lender is also the supplier[15]. Point-of-sale finance must include detail of what the loan is financing and the price of the goods/ services being financed. It is commonly used to fund home improvements like kitchens.



	Point-of-Sale Finance	
	Pros	**Cons**
Homeowner (borrower)	**Streamlined Experience:** This method offers a smoother customer journey since financing is directly linked to specific products or services. *and* **Consumer protections** can be more robust.	**Limited Flexibility:** Funds are restricted to specific products or services, which reduces borrower freedom.
Lender	**Certification Simplicity:** Simpler process for verifying use of funds.	**Complex Regulation:** Involves more complex regulations and potential joint liability with suppliers.

[14] https://www.greenfinanceinstitute.com/products-solutions/green-home-finance-principles/
[15] "Borrower-lender-supplier" is used in this document as a more accessible term for "debtor-creditor-supplier" agreements.

Consumer Credit Regulations

Unsecured green home loans present a valuable opportunity to support Labour's Warm Homes Plan, which aims to reduce energy bills by providing grants and low-interest loans for home improvements like insulation, solar PV, and low-carbon heating (see Call-out box 1: Labour's Manifesto[16]). To accelerate this effort, Labour has indicated plans to partner with the private sector to provide additional financing for these energy-efficient upgrades.

> ### Call-out box 1: Labour's Manifesto
>
> "The Warm Homes Plan will offer grants and low interest loans to support investment in insulation and other improvements such as solar panels, batteries, and low carbon heating to cut bills. We will partner with combined authorities, local and devolved governments, to roll out this plan. Labour will also work with the private sector, including banks and building societies, to provide further private finance to accelerate home upgrades and low carbon heating." – Labour's Manifesto – Change: Make Britain a clean energy superpower.

Unsecured green home loans are a strong fit for the low-interest loans proposed in the Warm Homes Plan, offering broad accessibility for homeowners looking to make energy-efficient upgrades. These loans already exist in the UK's private finance market, and international examples show that government collaboration with the private sector can successfully scale green home loan markets and drive market growth in the adoption of energy-efficient solutions.

In "Unsecured Green Home Loans: Demystifying the Market", the GFI's Built Environment Programme unpacks challenges to scaling the UK's green home loan market, particularly in relation to the Consumer Credit Act 1974 (CCA), which regulates these loans[17]. Certain sections of the CCA can create joint liability between lenders and suppliers under certain conditions, presenting challenges to market scale (see Call-out box 3: Impact of the CCA on the UK green home loan market[18]).

> ### Call-out box 2: Labour's Financing Growth Plan
>
> "Our Consumer Credit Act is failing consumers and stifling innovation. It requires updating to provide an outcomes-based approach which is fit for the digital age." – Labour's Plan for Financial Services.
>
> Labour's vision for the financial services sector is to "lead the world in sustainable finance by making the UK a global hub for green finance activity, delivering a world-leading green finance regulatory framework, and partnering with the financial services sector to support the decarbonisation of our homes." – Labour's Plan for Financial Services.

Labour's Financing Growth Plan (see Call-out box 2: Labour's Financing Growth Plan[19]) commits to reforming the CCA with an outcomes-based approach. The plan also aims to position the UK as a global leader in sustainable finance, partnering with the financial services sector to decarbonise homes. These goals are mutually reinforcing and present a significant opportunity for the UK to scale sustainable finance markets, fostering the growth of the home energy upgrade sector while generating skills and jobs.

[16] Make Britain a clean energy superpower – The Labour Party
[17] https://www.greenfinanceinstitute.com/wp-content/uploads/2024/06/GFI-Risk-Demystifier.pdf.
[18] See "Unsecured Green Home Loans: Demystifying the Market" from the GFI's Built Environment Programme for more details.
[19] Financing-Growth.pdf (labour.org.uk)

Call-out box 3: Impact of the CCA on the UK green home loan market

"Energy efficient and green home technology may be unfamiliar to some homeowners, so can be less well understood than traditional technologies. Lower consumer understanding is associated with a higher risk of mis-selling, whether inadvertent or deliberate. The CCA doesn't distinguish between inadvertent or deliberate mis-selling, so robust standards and processes are essential for a lender to have appropriate assurance and visibility over mis-selling risk.

During the early 2010s, unsecured loans for purchasing solar panels were widely available. However, mis-selling and installation challenges led to significant liabilities and contingent (potential) liabilities for lenders under the CCA's Section 56 and Section 75. One lender made provisions for a £38.5 million loss on their renewables book, highlighting the increased perceived risk of unsecured finance for green home technologies. Consequentially, many available financial products were removed from the market. The perceived risk of unsecured green home finance in the UK creates additional complexity for lenders looking to develop innovative unsecured financial solutions that can support homeowners access green home technologies." – The Green Finance Institute's "Unsecured Green Home Loans: Demystifying the Market".

Availability of Unsecured Green Home Loans

Unsecured green home loans offered through private sector lenders in the UK are less widely available than in other countries. While there is public support (see Call-out box 4: Public-Funded UK Loan Schemes[20]) and substantially growing interest from lenders looking to support sustainable home improvements, UK solutions leveraging private finance remain limited, in part due to a challenging legislative environment, and many homeowners may find it challenging to secure favourable terms. This contrasts sharply with more established green financing markets in Europe and beyond.

Call-out box 4: Public-Funded UK Loan Schemes

Home Energy Scotland offers homeowners 0% loans up to £18,000 for energy-efficient improvements such as insulation, heating upgrades, and renewable energy installations, helping decarbonise homes and reduce energy costs.

The Development Bank of Wales offers expert guidance and up to £25,000 0% flexible-funding with up to 10-year repayment terms for owner-occupiers to support energy-efficient and low-carbon heating technologies. The scheme is not currently open to landlords.

[20] Home Energy Scotland Grant and Loan | Green Homes Wales - Dev Bank (developmentbank.wales)

The EU's Consumer Credit Directive

In the EU, the Consumer Credit Directive (CCD) offers similar consumer protections to the UK, allowing borrowers to seek compensation from lenders if a supplier fails to deliver as promised[21]. However, under the EU directive, borrowers must first try to resolve the issue directly with the supplier. In the UK, this requirement is only for transactions involving goods or services with a cash price of more than £30,000 and up to £60,260 - much higher than the typical amounts associated with green and energy-efficient technologies[22]. The effectiveness and application of these protections can vary across EU Member States, leading to differences in the size and maturity of green home loan markets. The UK could learn from more established EU markets, particularly those with similar legislative environments to increase availability of green home financing options and accelerate market growth.

[21] Directive 2023/2225 (Directive - EU - 2023/2225 - EN - EUR-Lex (europa.eu)) should be adopted by member states into domestic law by November 2025 with measures to be implemented by November 2026.
[22] Section 75A of the Consumer Credit Act (1974).

Ireland

Consumer Credit Regulations

Similarity to UK consumer credit environment: **High**

Ireland's Consumer Credit Act 1995 (Section 42) is similar to the UK's CCA (Sections 56 and 75) in establishing a framework for connected lender liability. This provision ensures that lenders can be held accountable in certain circumstances where credit agreements are linked to specific goods or services, such as in point-of-sale financing.

In Ireland, if a borrower encounters issues with a product or service purchased through credit, they must generally first pursue the supplier for resolution before making a claim against the lender. This step is intended to provide an opportunity to resolve disputes directly with the supplier.

In contrast, the UK's approach differs based on the cash price of the goods. Under Section 75A of the UK CCA, the requirement to pursue the supplier first applies only to high-value goods, specifically those priced above £30,000 and below £60,260. For lower-priced items, including those commonly associated with green home technologies, such as solar panels or energy-efficient appliances with a cash price between £100 and £30,000, the UK allows borrowers to make claims for breach of contract and misrepresentation directly against the lender without needing to first address the supplier. This broader approach potentially exposes UK lenders to greater risk but offers more straightforward protection for consumers.

This distinction highlights a key difference between the two jurisdictions: while both aim to protect consumers, the UK's less restrictive requirement for pursuing claims directly against lenders may heighten lender exposure and provide more immediate recourse for borrowers.

Availability of Unsecured Green Home Loans

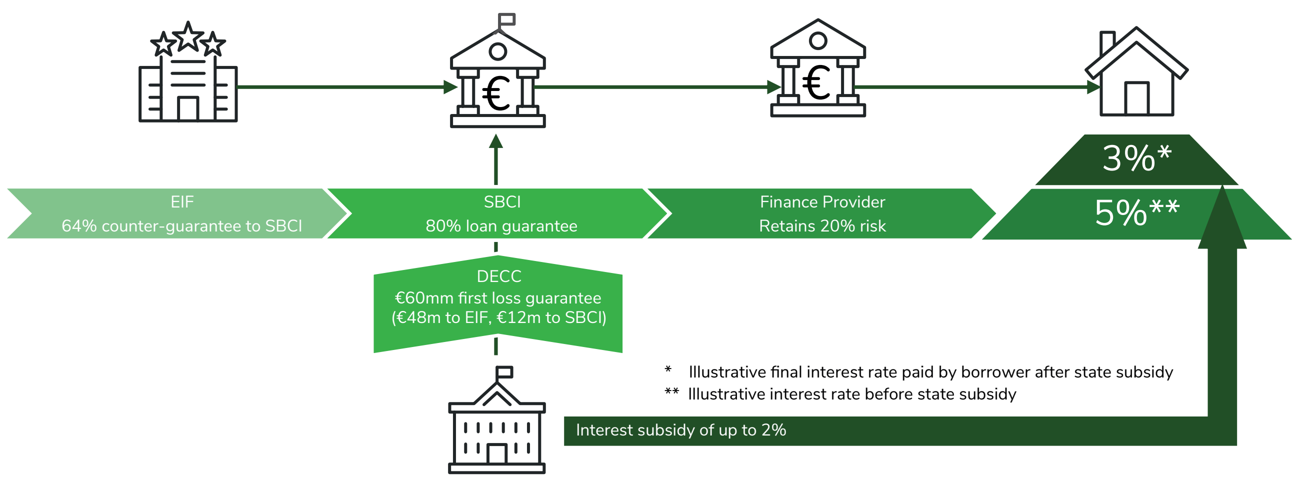
In April 2024, Ireland introduced the Home Energy Upgrade Loan Scheme (HEULS), designed to make it easier for homeowners and non-corporate landlords to retrofit their homes with energy-efficient technologies. The scheme offers low-cost, unsecured loans between €5,000 and €75,000, with repayment terms of up to 10 years and preferential rates and is expected to continue until 2026[23].

HEULS aims to address affordability challenges, support up to 25,000 additional deep home energy retrofits, and attract participants with competitive market rates and a straightforward application process. It also seeks to encourage the commercial lending market to provide more attractive finance options for deep retrofits beyond 2026.

Loans under the scheme can be drawn before works begin, giving borrowers flexibility in managing their finances and addressing the challenge of upfront cost[24]. Works must be completed by an SEAI (Sustainable Energy Authority of Ireland) registered One Stop Shop, Energy Partner, or Communities Project Coordinator, and lenders must confirm that the borrower has signed a commitment to this effect before releasing funds.

The Government-backed scheme, with a lending portfolio of up to €500 million, is set to run until 2026 and complements the €8 billion committed Exchequer investment in residential retrofit to 2030, reflecting a long-term commitment to improving energy efficiency. Initially available through three of Ireland's largest banks - PTSB[25], the Bank of Ireland[26], and AIB[27] - the scheme is expected to expand as more lenders participate[28]. The loans benefit from an 80% guarantee provided by a joint agreement between the European Investment Bank (EIB) and the Strategic Banking Corporation of Ireland (SBCI), along with state-subsidised interest rate reductions (see Call-out box 5: Interest rate lowering guarantee).

Call-out box 5: Interest rate lowering guarantee.



[23] At time of writing, this preferential rate is as low as 3% compared to the market rate of ~9%.
[24] Up to 25% of the amount borrowed may be spent on non-energy efficiency works, for example, other home improvement works carried out at the same time as energy upgrade works (excluding any form of installation of fossil fuel boilers).
[25] PTSB's 2023 total assets €27.8bn: https://www.permanenttsbgroup.ie/~/media/Files/P/Ptsb-CORP/documents/result-centre/investor-presentation/2023/ptsb-annual-results-2023.pdf
[26] Bank of Ireland's 2023 total assets €156bn: https://investorrelations.bankofireland.com/app/uploads/HoldCo-Annual-Report-2023-WEB.pdf
[27] AIB's 2023 total assets €136bn: https://aib.ie/content/dam/frontdoor/investorrelations/docs/resultscentre/annualreport/2023/AIB-Group-plc-AFR-Dec-2023.pdf
[28] Robust due diligence requirements involved for lenders to sign up.

The uptake of HEULS is aligning with expectations based on past grant initiatives. Momentum is anticipated to grow as more lenders join and awareness of the scheme increases, making the loans highly competitive and accessible for those looking to enhance their property's energy efficiency. Ireland's HEULS aligns with the government's targets for cutting carbon emissions and meeting climate goals under its Climate Action Plan, which aims for 500,000 homes to be retrofitted to Building Energy Rating (BER) B2 by 2030 and for 400,000 heat pumps to be installed in existing homes by 2030[29].

Whilst HEULS is relatively recent, launching in April 2024, it was designed to complement Ireland's National Retrofit Plan, originally published as part of the 2021 Climate Action Plan[30]. The National Retrofit Plan highlights that achieving the required scale of retrofits depends on four foundational pillars: driving demand and activity, financing and funding, expanding supply chain capacity and skills, and establishing robust structures and governance. The Sustainable Energy Authority of Ireland (SEAI) has been designated as the National Retrofit Delivery Body and is the lead agency driving the delivery of Ireland's retrofit targets. In fulfilling this role, SEAI manages various schemes to support retrofit initiatives and, as part of the National Retrofit Plan, developed a flagship program to establish a network of One-Stop-Shops, creating a streamlined approach for households undertaking retrofits. These efforts will inform annual residential retrofit plans in the future.

In 2023, SEAI's retrofit efforts supported almost 48,000 home energy upgrades (around 2% of Ireland's homes[31]). 37% of those upgrades resulted in the homes achieving a Building Energy Rating of B2 or better[32]. A comparable scheme in the UK might be expected to retrofit around 675,000 homes, exceeding the CCC's recommended pathway of 500,000 homes per year for energy efficiency upgrades[33].

According to SEAI's research, upfront cost is the most significant barrier for Irish homeowners. HEULS, with its low-cost loans, is designed to overcome this hurdle and expand the reach of the pre-existing One Stop Shop programme. The One Stop Shop model itself has been identified as critical to the success of green home finance solutions (see Call-out box 6: One-Stop-Shops in Ireland[34]). As the UK explores similar initiatives, these findings emphasise the demand for, and importance of, robust financial support mechanisms in driving energy-efficient home upgrades.

Call-out box 6: One-Stop-Shops (OSS) in Ireland

"Based on international experience, finance providers who are launching a green home loan or mortgage product also need to address the non-financial barriers that homeowners face when considering a residential retrofit project. Collaborations between finance providers and OSSs are important as they combine technical and financial support in one package. This simplifies the end-to-end customer journey, overcoming many of the barriers that homeowners face." – Financing Energy Efficiency in Ireland: A Handbook on the Residential Sector.

[29] Low Cost Finance for Home Energy Upgrades (seai.ie): Climate Action Plan (CAP) targets for the residential sector calling for 500,000 homes to be retrofitted to Building Energy Rating (BER) B2, or cost-optimal equivalent or carbon equivalent, by 2030 and 400,000 heat pumps installed in existing homes by 2030. Like the EPC scale, the BER scale measures the energy efficiency of buildings on a scale from A-G, however, unlike EPCs, the BER scale sub-divides ratings into A1,A2,A3,...etc.

[30] Ireland's Climate Action Plan 2021

[31] 47,953 homes retrofitted in 2023 under SEAI programmes, 2.26% of Ireland's 2.2 million homes.

[32] SEAI-Retrofit-Full-Year-Report-2023.pdf

[33] June 2022 Progress in reducing emissions 2022 Report to Parliament (theccc.org.uk)

[34] Financing Energy Efficiency in Ireland: A Handbook on the Residential Sector RDD-000503.pdf (seai.ie)

The following table compares the key features of Ireland's HEULS with a potential UK equivalent, illustrating how such a scheme could address financial barriers and promote energy efficiency.

	Ireland	**Application in the UK**
Number of Homes[35]	2.1 million[36]	28.4 million[4]
Legislative environment	Highly similar to the UK, although borrowers are required to resolve issues with suppliers before making claims against lenders.	Borrowers may be able to make claims against lenders for misrepresentation/ breach of contract without first pursuing the supplier.
Government Targets	• Legally binding target: 51% GHG reduction by 2030 vs 2018[37]. • Residential GHG reduction of ~40% by 2030 vs 2018. • 500,000 homes retrofitted to Building Energy Rating (BER) B2 by 2030[38]. • 400,000 heat pumps installed in existing homes by 2030.	• Legally binding target: 100% GHG reduction by 2050 vs 1990. • Legally binding target: 68% GHG reduction by 2030 vs 1990[39]. • Minimum Energy Efficiency Standards for the Private Rental Sector: EPC C by 2030. • 600,000 heat pumps installations a year by 2028.
Loan & installation process		
For the homeowner	1. **Contacts SEAI-registered body** (One Stop Shop, Energy Partner, or Community Project Coordinator) to[40]: • Carry out assessment. • Plan home energy upgrade. • Apply for SEAI home energy upgrade grant. • Provide homeowner with standardised 1-page summary. 2. **Shares standardised 1-page summary with lender** for loan application. 3. **Homeowner draws down loan,** signs contract with SEAI-registered body, and manages payments to SEAI-registered body and lender repayments. **Additional process factors** • Fast turnaround from inspection to loan payment. • Process includes complete grant integration, paid directly to the SEAI-registered body. • Homeowners encouraged to consider multiple quotes.	**The UK could follow a highly similar process to Ireland's Home Energy Upgrade Loan Scheme.** Should include streamlined paperwork for homeowners & fast turnaround times on payment to reduce homeowner delays. UK application of such a scheme should include some form of price regulation for One-Stop-Shops. Homeowners should be encouraged to consider multiple quotes. No direct UK comparison to SEAI. However, a UK equivalent could be a regulator (e.g. Ofgem) or an independent government-backed organisation (e.g. EST, responsible for delivering Home Energy Scotland), or a government department (e.g. DESNZ).

35 Both public and privately owned
36 Housing Census of Population 2022 - Preliminary Results - Central Statistics Office
37 gov.ie – Government announces sectoral emissions ceilings, setting Ireland on a pathway to turn the tide on climate change (www.gov.ie)
38 Climate Action Plan, 2021 gov.ie – Climate Action Plan 2021 (www.gov.ie)
39 The UK's plans and progress to reach net zero by 2050 CBP-9888.pdf (parliament.uk)
40 To date, 20 One Stop Shops, 3 Energy Partners, and 17 Community Project Coordinators signed up: Find a Registered Professional | Grants | SEAI

For SEAI-registered body: • One-Stop-Shop • Energy Partner, or • Community Project Coordinator	• Must be SEAI-registered in accordance with guidelines[41]. • Performs home energy assessment & provides standardised 1-page summary. • Completes & certifies works. • Completes grant process and registers work with SEAI. • Ensures that the home reaches a high level of energy efficiency.	**The UK could introduce consistent structure and standards across the UK** (see Call-out box 6: One-Stop-Shops in Ireland). • The rise of local authority-led one-stop shops across the UK may lead to inconsistencies, increased costs, and duplication of efforts. • Should include options for scaling pool of suppliers, including involving SME contractors and engaging with architecture firms to leverage homeowners trigger points.
For lenders	• Ireland's 3 biggest banks with additional finance providers committed to join the Scheme in Q4 2024. • Robust due diligence on-boarding requirements for lenders[42]. • Completely automated process for lenders.	**To replicate this model in the UK, lenders should be integrated into government schemes:** • Automation of lender processes to support scale and efficiency. • UK's CCA should be reformed/ offer clarification to lenders to support acceptable risk processes for unsecured green home loans.
Stakeholder roles, risk exposure, and public investment (see Call-out box 5: Interest rate lowering guarantee)		
Government budget	€60mm first loss guarantee from DECC (€48m to EIF, €12m to SBCI)[43]. Supported by long-term policy plan and certainty on budget to 2030 with multi-year funding.	The UK government could provide a proportionately similar sized budget for application in the UK to expect similar results.
EIB Group	64% counter-guarantee to SBCI through the European Investment Fund (EIF).	Replication of EIB Group support could be possible & should be explored.
State-backed guarantee	SBCI guarantee to finance provider (16%).	National Wealth Fund
Banks	20% risk exposure remaining.	Similar risk exposure for UK lenders.
Consumer	Effective interest rate starts from 3% following state-backed subsidy of up to 2% (compared to market rate of 9% without guarantee).	Structure impact would be similar on homeowner (borrower) interest rate.

[41] One-Stop-Shop-Registration-Guidelines.pdf (seai.ie), One-Stop-Shop-Operational-Grant-Rules.pdf (seai.ie)
[42] 27.10.23-FInal-DRAFT-HEUL-Scheme-Clean.pdf (sbci.gov.ie)
[43] Budget for interest rate subsidy will vary depending on uptake

Belgium

Consumer Credit Regulations

Similarity to UK consumer credit environment: **Moderate**

Belgium's consumer credit laws, outlined in Book VII of the Economic Law Code, resemble the UK's CCA (Section 75) by imposing joint and several liability on lenders in certain situations. A credit agreement is classified as a linked credit agreement if it specifies the loan's purpose, and the lender is aware of the contractor or supplier (Article I.9)[44]. In cases of non-delivery or faulty installation, borrowers in Belgium must first pursue claims against the supplier (Article VII.91), much like the EU directive and regulations in Ireland, thereby adding a layer of protection for lenders[45].

In contrast, the UK's approach varies based on the cash price of the goods. Under Section 75A of the UK CCA, the requirement to pursue the supplier first applies only to high-value goods, specifically those priced above £30,000 and below £60,260. For lower-priced items with a cash price between £100 and £30,000, a price range more likely for low-carbon or energy-efficient technologies, the UK allows borrowers to make claims for breach of contract and misrepresentation directly against the lender without needing to first address the supplier. This broader approach potentially exposes UK lenders to greater risk but offers more straightforward protection for consumers.

However, further notable differences exist between the two countries. In Belgium, linked credit agreement rules apply more broadly, holding lenders responsible even when the credit amount is paid directly to the borrower, provided the loan's purpose and supplier are known. In contrast, the UK's Section 75 only permits borrower claims when there are pre-existing arrangements between the lender and supplier.

44 https://www.ejustice.just.fgov.be/eli/loi/2013/02/28/2013A11134/justel#Art.I.9

45 https://www.ejustice.just.fgov.be/eli/loi/2013/02/28/2013A11134/justel

Availability of Unsecured Green Home Loans

The Belgian green home loan market has seen substantial growth over the past decade, expanding from €253 million in 2013 to €1 billion by 2023[46]. Belgium provides a range of financial incentives, including grants and interest-free loans, to help homeowners improve energy efficiency. These programs are primarily managed at the regional level across Flanders, Wallonia, and the Brussels Capital Region, with each region customising its schemes to promote investments in renewable energy technologies such as solar panels, insulation, and other energy-saving improvements.

In Flanders, homeowners purchasing a property can access subsidised loans tied to the energy performance of the home, where the loan amount varies according to the energy label targeted through renovations. In Brussels and Wallonia, similar forms of interest-free loans are available under certain conditions, providing accessible financial pathways for homeowners meeting specific eligibility criteria.

Many banks in Belgium offer loans specifically for green home renovations, including the four leading banks (with a cumulated balance sheet on a non-consolidated basis representing 67% of the sector total at the end of 2021)[47]; ING[48], BNP Paribas Fortis[49], Belfius[50], and KBC[51]. In 2022, KBC partnered with iChoosr, a platform that aggregates demand for solar panels and other green technologies, to develop Demand Aggregated Financing (DAF). DAF was highlighted in the GFI's 2020 report: "Financing zero carbon heat: turning up the dial on investment" as a mechanism with significant potential to unlock scale for private finance into decarbonisation of homes (see Call-out box 7: Demand Aggregation Financing)[52]. The KBC and iChoosr partnership was part of a broader peak for KBC's energy loans in 2022, during which the number of energy loans increased by 156%, and the total loan volume rose by 162%, largely driven by the energy crisis and rising energy costs. Between 2019 and 2023, the number of energy loans increased by 86%, while the loan volume surged by 128%. This sustained growth underscores the long-term consumer interest in green home improvements, even amidst changing economic conditions[53].

Call-out box 7: Demand Aggregation Financing

"Demand Aggregation Financing can provide households with lower cost zero carbon heating solutions, thereby making them more desirable and increasing installations across the country. This demonstration project could support all housing tenures, enabling access to cheaper technology and finance by establishing the 'critical mass' in demand required to achieve economies of scale. Similar approaches are underway for community solar buying schemes (see case study on iChoosr). This will in turn help scale up local supply chains through guaranteeing a minimum level of demand in a specific region, giving manufacturers the confidence to invest in skills and technologies." – The Green Finance Institute's "Financing zero carbon heat: turning up the dial on investment"

46 Source: UPC Belgium
47 Source: Febelfin ff-be-22.pdf (ebf.eu)
48 Energy loan simulation - Renovate and save energy - ING Belgium
49 Energy loan | BNP Paribas Fortis
50 Our sustainable solutions - Belfius in the community - Belfius
51 KBC Brussels Energy Loan - borrow now at our top-value rate - KBC Brussels Bank & Insurance
52 https://www.greenfinanceinstitute.com/wp-content/uploads/2024/08/Financing-zero-carbon-heat-turning-up-the-dial-on-investment_Green-Finance-Institute.pdf
53 Belgians and the energy transition: high costs inhibit investments (kbc.com)

Beyond the CCA, the UK's legislative environment introduces further challenge in developing Demand Aggregation Financing. Businesses that introduce or refer customers to lenders must hold an FCA credit broking license. While this license can offer limited permissions and be less burdensome, businesses in the UK (including suppliers) acting as introducers of finance are still required to hold some form of FCA authorisation. Many potential suppliers lack the necessary FCA credit broking licenses, which can limit the pool of participants in DAF initiatives. This barrier is more impactful in DAF models compared to straightforward green home loans due to the "reverse auction" nature of the supplier side, where multiple suppliers compete for aggregated demand. The process of obtaining this licensing can be complex and costly, deterring suppliers from pursuing it.

Belgium's broad classification of linked credit agreements means that while credit providers must be licensed to offer consumer loans, and banks may maintain preferred installer lists, the licensing requirements for businesses introducing finance are less stringent.

While both countries have frameworks designed to protect consumers, the specific requirements for credit brokerage and lender liability vary, influencing how easily businesses – especially suppliers – can engage in financing schemes. The table below outlines key legislative differences between Belgium and the UK, which directly impact the feasibility and execution of Demand Aggregation Financing (DAF) as a model for unsecured green home loans.

	Belgium	**Contrast with the UK**
CCA legislation	Borrowers must first pursue suppliers for claims. However, lenders retain responsibility even in situations where credit is paid directly to the borrower.	Under particular circumstances and pre-existing arrangements, lenders may be jointly liable with suppliers for borrowers' claims.
Licensing	Credit providers must be licensed to give consumer loans and banks may have shortlists of installers that they work with, but there is no requirement for installers to directly engage with the regulator.	Credit providers must be licensed to provide credit, but businesses, including suppliers, acting as introducers of finance are also required to hold FCA authorisation to offer (even limited) credit brokerage services.

France

Consumer Credit Regulations

Similarity to UK consumer credit environment: ***Low***

In France, consumer credit protections are designed to shield borrowers when credit agreements are linked to specific goods or services. If an intermediary misrepresents the performance of equipment, like solar panels, consumers may have the right to cancel the credit contract. This provision ensures consumers are protected from misleading claims and can seek redress if the equipment fails to meet promised standards[54].

A similar approach is found in Section 56 of the UK's CCA, which also allows for the cancelling of credit agreements where there's been a misrepresentation. However, the implementation differs between the two countries. In the UK, suppliers are considered agents of the lender, whereas French regulations maintain a clearer separation between lenders and suppliers. This distinction leads to a broader approach in the UK, offering more immediate recourse for UK borrowers and potentially increasing the risk for UK lenders.

The key difference between the French and UK systems is that while both aim to protect consumers, the UK's less restrictive requirements for direct claims against lenders can provide enhanced consumer recourse but also expose lenders to greater risk.

[54] Consumer Code - Légifrance (legifrance.gouv.fr)

Availability of Unsecured Green Home Loans

In France, the availability of green home loans is significantly bolstered by the Éco-prêt à taux zéro (Eco-PTZ) scheme, which launched in 2009. Zero Rate Eco Loans are awarded by 15 participating banks that have signed an agreement with the French government. In exchange for their financial services, the government compensates participating banks with tax credits commensurate with the 'normal' interest rate the banks would have charged borrowers for the same amount of money. The exact degree of 'normal' interest rate is defined by the period in which the loan was granted. Public authorities are allowed to reimburse banks over a five-year period. This interest-free loan program is designed to facilitate energy-efficient home upgrades, offering amounts up to €50,000 with a maximum repayment period of 15 years, extendable to 20 years under certain conditions. The scheme is accessible to a broad range of borrowers, including low-income households, and can be paired with additional subsidies, enhancing the affordability of energy-efficient renovations.

The Eco-PTZ scheme's impact is substantial. Between 2009 and 2022, a total value of €7.46 billion of loans were facilitated, with €1.1 billion in loans facilitated just in the 12 months leading up to March 2023[55,56]. In 2023, more than 105,000 projects were financed through Eco-PTZ loans, marking the highest annual uptake since the scheme's launch in 2009 and representing a significant increase compared to previous years[57].

The scheme's success is further supported by public funding mechanisms and tax credits that offset the interest losses for banks, making the loans attractive to both lenders and borrowers. This regulatory and financial support ensures a thriving unsecured green home loan market in France and continues to support widespread energy-efficient home improvements.

	France	Application in the UK
CCA legislation	Consumer credit protections may allow contract cancellation if an intermediary misrepresents goods or services, ensuring consumers can seek redress for misleading claims and equipment failures.	Consumer credit protections permit contract cancellation due to misrepresentation, with suppliers acting as agents of lenders, providing consumers with more immediate recourse while increasing lender risk.
Government-backed green home loan	France's Éco-prêt à taux zéro (Eco-PTZ) offers interest-free loans up to €50,000 for energy-efficient home upgrades. Participating banks are compensated with tax credits.	While technically feasible, a fully government-subsidised interest rate is less sustainably scalable and offers less reach for the same amount of public capital compared to, for example, a guarantee-based mechanism. The UK's legislative environment also differs significantly from France, and, without significant legislative reform and clarification, UK lenders would remain overly exposed to risk (see Call-out box 3: Impact of the CCA on the UK green home loan market.).

55 European Construction Sector Observatory; Policy fact sheet; France; Zero Rate Eco Loan Scheme; Thematic objectives 1 & 3; March 2022

56 Statistics - sgfgas.fr, Zero-interest eco-loans Production balance sheet - appendices

57 The evolution of the zero-interest eco-loan scheme (eco-PTZ) | Ministry of Ecological Transition and Territorial Cohesion (ecologie.gouv.fr)

Germany

Consumer Credit Regulations

Similarity to UK consumer credit environment: **Low**

In Germany, consumer protection in credit agreements is governed by a robust set of regulations designed to safeguard consumers, including those involved in green home loans.

German consumer credit laws are primarily enshrined in the German Civil Code (BGB). This framework covers various aspects of consumer protection related to credit, sales of goods, and services, ensuring that consumers receive protection due to the inherent imbalance between consumers and providers. Key aspects of German consumer credit protection include[58]:

- Consumer Credit Law (BGB): This framework mandates transparency and fairness in credit agreements. Lenders are required to provide clear information about loan terms and conditions. The law also allows consumers to refuse repayment of a loan if they have valid objections related to the linked contract, ensuring they can seek recourse for issues with the goods or services financed by the loan.
- Consumer Rights Law (BGB): This provision enables consumers to seek recourse for breaches of contract and misrepresentations. It provides mechanisms to address unfair treatment and to uphold consumer rights.
- Sales and Services Law (BGB): This aspect covers the sale of goods and services, including those financed through credit agreements. It ensures that goods and services meet specific standards and that consumers are not misled about their performance or quality.

Unlike the UK's CCA, under which a lender might be jointly liable with the supplier in the event of the supplier's breach of contract or misrepresentation where there's a borrower-lender-supplier agreement, Germany's legislation does not uniformly impose joint liability. Instead, the German framework often requires a direct link between the credit agreement and the specific breach of the underlying contract to trigger consumer protections. This difference means that while both jurisdictions aim to protect consumers, the mechanisms for holding lenders and suppliers accountable differ significantly.

[58] German Civil Code BGB (gesetze-im-internet.de)

Availability of Unsecured Green Home Loans

KfW Bank, established in 1948 as the Kreditanstalt für Wiederaufbau (Credit Institute for Reconstruction), is a leading global promotional bank dedicated to improving economic, social, and environmental conditions. Headquartered in Frankfurt, KfW operates internationally without customer-facing branches or deposits, providing financing through retail banks.

The bank has been a significant force in Germany's green home loan market, beginning with the CO2 Buildings Renovation Programme in 2001, followed by the Energy Efficient Construction and Renovation programmes from 2009 to 2019. These initiatives were consolidated into the Federal Funding for Efficient Buildings (BEG) programme in 2021[59].

The BEG programme sets ambitious goals, aiming to reduce greenhouse gas emissions in the building sector by 70 million tons of CO2 equivalents by 2030. The initiative targets approximately 50,000 comprehensive renovations or new energy-efficient buildings per year, with an investment volume of around €32 billion[60]. Additionally, the BEG Individual Measures (BEG EM) component aims to fund about 150,000 individual measures annually, with an investment volume of approximately €6 billion, contributing to a reduction of 360,000 tons of CO2 emissions per year[61].

Under the BEG programme, KfW collaborates with retail banks to distribute green home loans. This on-lending model involves KfW supplying the funds while retail banks handle customer interactions, credit assessments, and loan agreements. Retail banks assume the default risk and earn an implementation margin. This structure ensures broad access to green financing and supports significant uptake of energy-efficient home improvements across Germany. Additionally, owing to the extra VAT generated by KfW investment, the cost on the taxpayer is almost negligible[62].

	Germany	Application in the UK
CCA legislation	German consumer credit laws mandate transparency, allow loan refusal for valid objections, and protect against misrepresentation, but joint lender-supplier liability is not directly referenced as in UK law.	In the UK, the Consumer Credit Act provides strong consumer protections, which may include joint lender-supplier liability, allowing borrowers to hold lenders directly accountable for breaches or misrepresentation in agreements linked to goods or services.
Government-backed green home loan	KfW Bank provides green home loans through an on-lending model, supplying funds to retail banks, which handle customer interactions, credit assessments, and assume the default risk. Inclusion of national retail banks in the on-lending model ensures broad national access to financing across all energy efficiency and low-carbon heating measures for all tenures.	While this model is technically feasible for the UK, it would require an on-lending vehicle to channel funds to retail banks. Potential intermediaries could include the National Wealth Fund, subject to an appropriate mandate. In the KfW model, retail banks bear the responsibility and risk of lending directly to consumers. Without substantial legislative reform or clarification in the UK, this approach could expose lenders to heightened regulatory risks (see Call-out box 3: Impact of the CCA on the UK green home loan market.).

59 Report Germanys Efficiency Funding_24062022.pdf (adelphi.de)
60 'Federal Funding for Efficient Buildings – Residential Buildings' (BEG WG) (in German only).
61 'Federal Funding for Efficient Buildings – Individual Measures (BEG EM)' (in German only)
62 University of Birmingham, Birmingham Energy institute – Energy Policy Commission Report

Other EU jurisdictions

Other EU jurisdictions have markedly different consumer credit legislation and benefit from thriving unsecured green home loan markets. Jurisdictions like Spain and Denmark benefit from more straightforward consumer protection regimes compared to the UK. These regulations have comparatively less risk for lenders and facilitate the growth of green home loan markets, making green financing for home improvements more accessible and less burdensome for lenders.

Spain

In Spain, green home loans are increasingly accessible, reflecting a growing commitment to sustainability and energy efficiency across the financial sector. These loans are designed to help homeowners invest in eco-friendly improvements, making sustainable upgrades more attainable.

Banco Santander, Spain's largest bank, offers the "Energy Efficiency Loan," which assists new customers in financing various green home improvements such as solar panels and enhanced insulation, without the need for collateral[63].

Cajasur also provides a robust green financing option with its "Energy Efficiency Loan." This product supports homeowners in making energy-efficient upgrades, aligning with Spain's sustainability goals, and promoting environmentally friendly practices[64].

BBVA, another major player, offers its own "Energy Efficiency Loan" aimed at individual customers. This loan facilitates investments in sustainable home improvements and energy-efficient technologies. According to BBVA's official site, this product is designed to support the adoption of green solutions and contribute to energy savings[65].

These offerings from Santander, Cajasur, and BBVA highlight the wide availability of green home loans in Spain, demonstrating how leading banks are helping to drive the shift towards more sustainable and energy-efficient living.

[63] Energy Efficiency Loan for new customers – Santander (bancosantander.es)

[64] Préstamo Eficiencia Energética Cajasur | Préstamos | Cajasur Particulares

[65] Energy Efficiency Loan | BBVA

Denmark

The Danish green home loan market is robust and expanding, reflecting the country's strong commitment to sustainability and environmental stewardship. These loans are designed to support a range of green home upgrades, from energy-efficient home improvements to renewable energy installations. Leading institutions such as Danske Bank[66,67], Nykdredit[68], Jyske Bank[69,70], and Nordea[71,72], have green finance frameworks that underpin offering specialised green home loans tailored to energy-efficient upgrades, often providing favourable terms for insulation improvements, solar panel installations, and other energy-saving measures.

Denmark's regulatory framework further supports the green home loan market. The Danish government has enacted policies and incentives that encourage energy efficiency and renewable energy. For example, Denmark's Energy Agreement and various subsidy programs provide financial backing for green investments, boosting the green home loan sector.

The focus on sustainability in Denmark drives demand for green financing products, with major banks like Danske Bank and Nykredit playing a crucial role in advancing green finance and supporting energy efficiency of homes.

66 https://danskebank.com/-/media/danske-bank-com/pdf/investor-relations/debt/green-bonds/danske-bank-green-finance-framework-november-2022.pdf
67 Lower energy consumption in your home – borrow at a sharp price | Danske Bank
68 Bo grønnere med et Grønt BoligLån - Lån til energirenovering (nykredit.dk)
69 https://jyskebank.com/investorrelations/sustainability/gff
70 Energy loans - loans for energy improvements of the home (jyskebank.dk)
71 https://www.nordea.com/en/doc/nordea-green-funding-framework-december-2023-0.pdf
72 Energy Saving Loan - an Energy Loan for Home Improvement | Nordea

Conclusion

In conclusion, the green home loan market in Europe is on a significant upward trajectory. While the UK presents unique opportunities for innovation in this sector, valuable insights can be drawn from Ireland's closely aligned regulatory framework and successful government-backed initiatives. As political momentum shifts towards advancing green finance, the UK is well-positioned to leverage international best practices to enhance its own green home finance landscape, thereby supporting the broader objectives of home decarbonisation and energy efficiency improvement. This analysis aims to highlight viable pathways for the development of unsecured green home finance products and policies for the UK.

Disclaimer

This report has been made available to you for information purposes only. Nothing in this report is to be construed as legal, tax, investment, financial or any other advice by Green Finance Institute Limited ("GFI"). This report does not constitute, and is not intended to constitute, an invitation, solicitation, recommendation, endorsement by GFI or any third party to take any particular course of action (including, but not limited to, entering into any financial arrangements) in the United Kingdom or in any other jurisdiction. It is not intended to be relied upon by users in making (or refraining from making) decisions of any nature (including financial or investment decisions).

The information contained in this report is of a general nature and does not address the circumstances of any particular individual or entity. Certain information contained in this report has been obtained from or is based on sources that GFI believes to be accurate and complete. This report is not, and does not purport to be, a comprehensive or complete statement or reflection of the matters set out herein. Although reasonable care has been taken to check the accuracy of the information contained in this report, GFI cannot guarantee and does not take responsibility for the accuracy or completeness of the information contained in this report. Any opinions set out in this report may be incorrect and may change at any time.

In reading and accessing this report, you alone assume the responsibility of evaluating the merits and risks associated with the use of any information contained herein before making any decisions on the basis of such information or content. GFI accepts no liability for any losses or damages (whether direct, indirect, special, consequential or otherwise) arising out of opinions, errors or omissions contained in this report, and it excludes all liability arising from this report to the fullest extent permitted by law.
You should not base any investment or financial decision solely on the basis of the information contained in this report. Where relevant, you should seek appropriate legal, tax, investment, financial or other professional advice.

GFI is not a registered investment adviser and it is not regulated by the Financial Conduct Authority.

Green Finance Institute

CONTACT US

info@gfi.green

greenfinanceinstitute.com