

Exploring Scottish consumer attitudes towards Green Home Finance Products.

Qualitative Research
December 2025

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Introduction



Background.

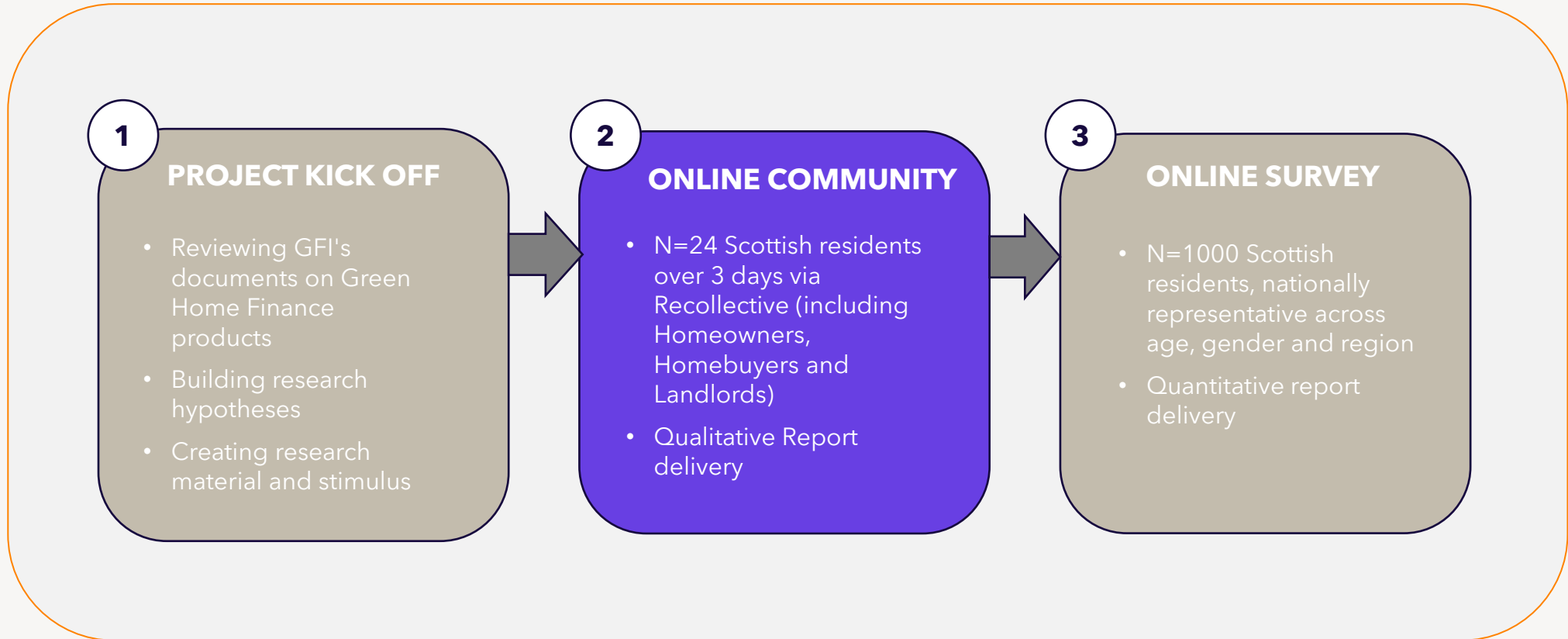
GFI are seeking a comprehensive understanding of Scottish consumers' attitudes towards green home finance solutions and PLF, and an in-depth look at what factors will drive trust and confidence in these solutions amongst the Scottish public.

This report summarises insights and findings from the first stage of qualitative research and meets the following objectives that were set for this first tranche:

- > Explore Scottish target audiences' attitudes towards the Scottish government's energy efficiency ambitions, green home finance products and PLF, as well as appetite for making homes more energy efficient
- > Identify the varying contexts that feed into these attitudes
- > Explore appeal and understanding of green home finance products and PLF
- > Understanding how consumers would expect PLF to impact the buying and selling process and identify any potential barriers to overcome.



Project Overview.



The contextual landscape of making green home improvements.



Differing perspectives on making green home improvements.



HOMEOWNERS

- **High mental availability** of changes they could make to their homes
- Can be **restricted times by the types of buildings they live in** (i.e. flat, listed, older)



LANDLORDS

- On top of predominantly being homeowners, landlords have additional responsibilities for their rental properties, **adding to their cognitive load**
- They **can experience cost as a barrier more so than other groups** due to additional financial responsibilities
- They do not live in the properties they could be upgrading so are **more removed** from any positive impacts



HOMEBUYERS

- First time buyers have **high mental availability of inefficient homes** due to recently living in rental properties
- **Cost is a major factor** for this group who are saving their money to buy a home



TENANTS

- **Limited in the green home improvements they can make** to their homes
- However, as tenants, they are **acutely aware of a need for green home improvements** and issues of energy inefficiency

What are Scottish consumers saying about energy loss?

"All of the **dozens of chilly draughts** whistling through the place and the impossibility of fixing them - I'd have to put in floor and interior walls insulation- not cost effective."

Landlord

"I think with energy loss in the colder months it makes me **quite anxious** as the **mould grows** and has to be managed often."

Homebuyer

"As soon as one turns the heating down it gets **cold quite quickly.**"

Landlord

"With energy bills still very high, **of course losing money through energy loss** is a concern."

Homeowner

"**Tenants likely do not heat homes properly** and more rain means dampness can eventually be an issue. One property likely needs new windows, and this is **huge cost to me** and inconvenience to my tenants."

Landlord

"In the summer, I'm begging for energy loss as the flat gets so hot we need an industrial fan to keep cool. In the winter you really feel the energy loss as my hot water system starts to cost a fortune, **the house is often freezing, and it costs a bomb to heat.**"

Homeowner

"My main concerns about energy loss in my home are regarding the **increased cost** to me as a consumer and **increased carbon footprint** associated with the inefficiency."

Homeowner

"Heat loss from doors and windows. Lack of circulation in loft causing condensation and requiring tools to combat. Would love to switch to renewables such as heat pump and solar panels. Using fossil fuels is a worry."

Homeowner

What improvements are they making?

Smaller and cheaper green home improvements are most common amongst Scottish residents, whilst **larger, more costly** improvements are less common.



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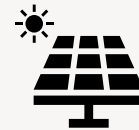
Energy saving lightbulbs



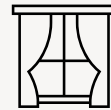
Energy efficient appliances



Smart thermostats



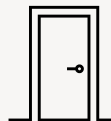
Solar panels



Double glazing



Insulation (floor, wall and roof)



Door upgrades

Financial literacy has a major influence on attitudes.

Tenants and **first-time-buyers** tend to be **less familiar with mortgage products** due to less experience and less opportunity.

Homeowners and **landlords** tend to be the most knowledgeable due to **experience with mortgages and funding improvements** to their homes/rental properties.

Financial Literacy

LOWER

HIGHER



Scottish residents have varying degrees of financial literacy when it comes to mortgages, loans and the cost of green home improvements. This plays **a major role in their consideration of green home improvements and green home finance products**, grounded in higher or lower comprehension and willingness to take up.

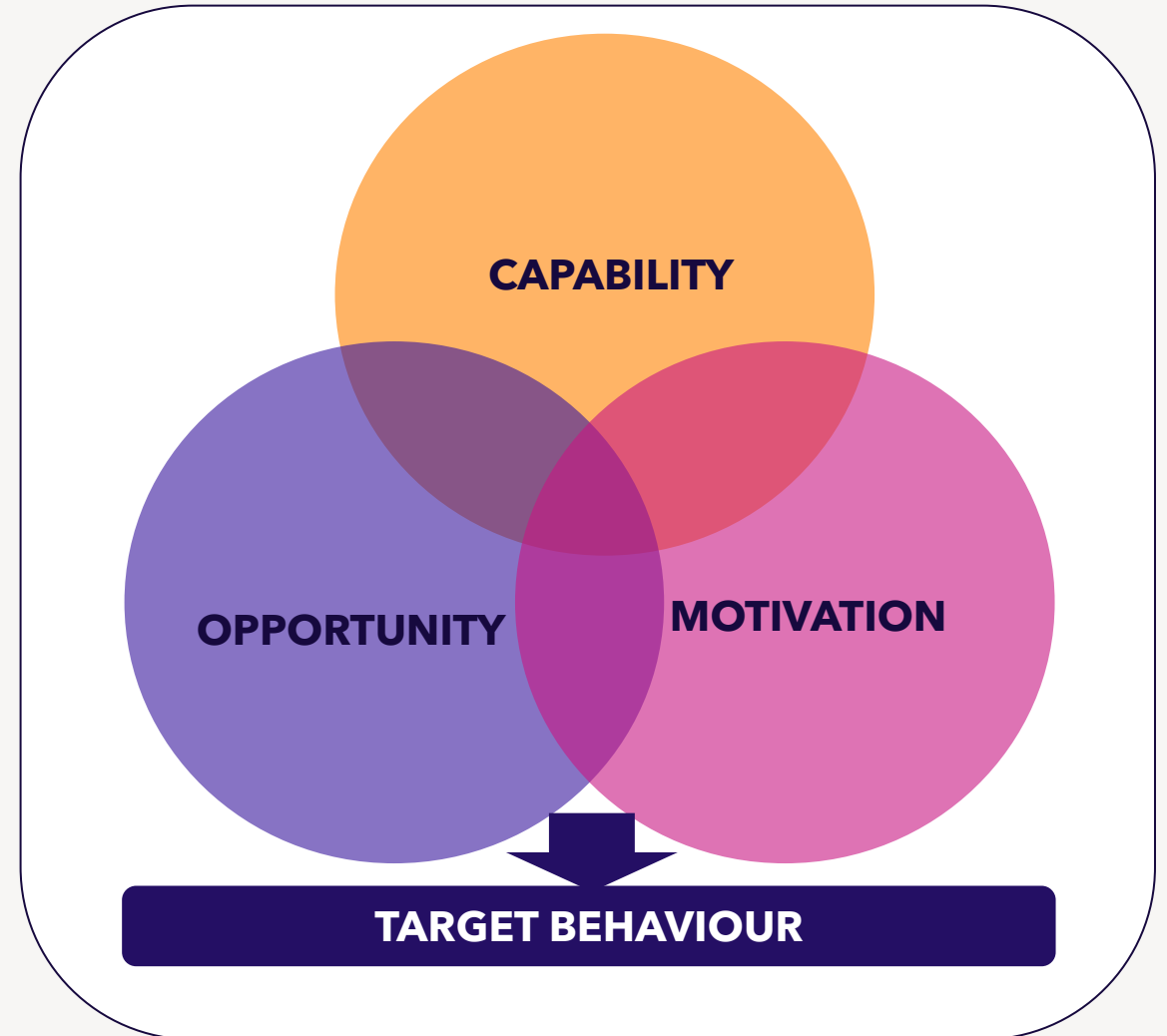
COM-B Model.

Based on findings in the qualitative stage, a range of factors make the implementation of green home improvements and take up of green home finance products challenging.

To synthesise our findings and to create a clear framework for the Green Finance Institute, we have used a behavioural analysis model to interrogate and categorise the qualitative data.

The COM-B model is a behaviour change framework that proposes three necessary components for any behaviour (B) to occur:

- **Capability (C)** - Psychological and physical (i.e. knowledge, skills and abilities) to engage in the activity.
- **Opportunity (O)** - External factors that make the behaviour possible or prompt it.
- **Motivation (M)** - Extrinsic or intrinsic impulses (i.e. emotions, beliefs, intentions) that direct decision-making and drive behaviour.



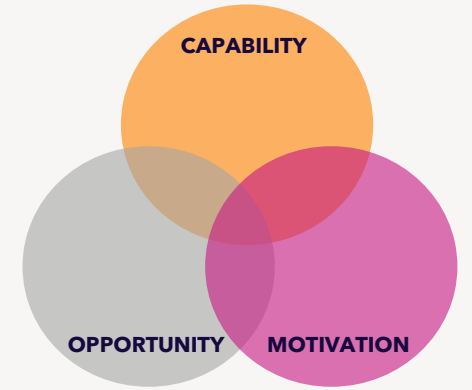
The target behaviour has been defined as...

To make green home improvements to my property in order to meet Scottish government EPC rating targets of C or higher.

The rationale for choosing this as the target behaviour is that **if Scottish residents are not able or willing to make green home improvements, they are not able to effectively consider a green home finance solution.** By making this behaviour possible, the take up of financial products becomes a necessary action.



Currently, **Capability** and **Motivation** barriers negatively impact the target behaviour.



1

Awareness of environmental issues is high, but some consumers **lack** a sense of **responsibility** due to a lack of **awareness** of government plans

2

There are concerns about **ability to implement** green home improvements

3

Cost of improvements feel **insurmountable** to some, especially where there are additional domestic cost concerns that feel more pressing

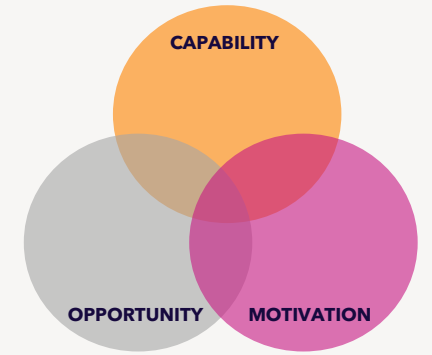
4

Existing funding schemes **lack salience** and are **not enough** to overcome cost barriers

5

Scottish consumers **doubt** the rationale and implementation of government plans

Awareness of environmental issues is high, but some consumers **lack** a sense of **responsibility** due to a lack of **awareness** of government plans.



Scottish residents have **high awareness of environmental issues** that need addressing. However, they are **divided on whose responsibility** it is to address them.

Some consumers are motivated by environmental improvements and see it as a responsibility they are willing to take on by making changes to their homes.

Whilst others are less motivated and are demoralised by a perception that the responsibility is being placed on individuals.

"I'm very **passionate about climate change** so I know and I believe that **energy efficiency is one of the key elements** of ensuring that we **maximize use of the energy** that comes into our homes or businesses, and we can also **ensure that there's not too much pressure** on both our user demand as well as pressure on suppliers to increase the supply to our homes."

Homeowner

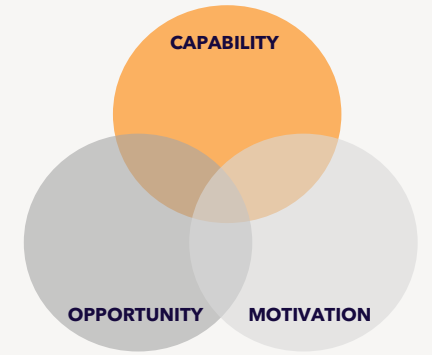
"I'd like to see what incentives would be in place or options to improve homes as the initial outlay could put **massive strain on family's and businesses.**"

Homebuyer

"I support making homes more energy efficient but they have to work out how to fund this as **they cannot just expect people to be able to afford this.**"

Landlord

There are concerns about **ability to implement** green home improvements.



Scottish residents are operating from different **baselines of knowledge** regarding the implementation of green home improvements.

Whilst there is a range of knowledge of the types of improvements that can be made, they are **uncertain of the process of making upgrades**, and the **eligibility of their home** for making these improvements.

Particularly for more complex improvements (e.g. solar panels, heat pumps, insulation) and what the impacts would be.

Compounding this, **knowledge of the cost of different improvements is also low**, making the rationale for a green home finance product unclear.

"I have been considering getting more insulation. In terms of heat pumps and things, **I don't know how that would work** with being on the third floor. **I would want my energy bills to go down.** That is the only thing I want."

Homeowner

"Probably **the solar panels, if they become affordable.** I think we would consider them if they would definitely pay themselves off. And the challenges would be, **I don't know if you need planning permission for that.**"

Homeowner

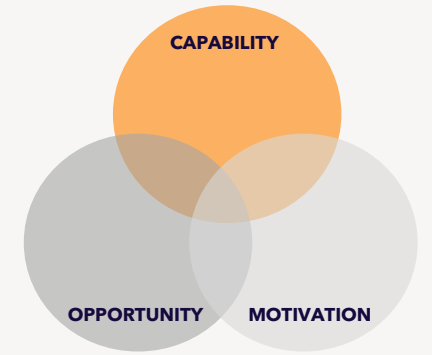
"My thought in general is **that these all seem great, but expensive measures**, and the quotes I have received for air source heat pumps are around double what is quoted here. I'd like to understand if there's really a way of getting one installed for £9000 and if that is the total cost, including things like radiator upgrades."

Homeowner

"Its in a protected/conservation area though so installing greener windows would be a pain in the hoop as you'd need to follow incredibly strict council guidelines."

Landlord

Cost of improvements feel **insurmountable** to some, especially where there are additional domestic cost concerns that feel more pressing.



Many residents expressed concern at the cost of green home improvements – making this prohibitive for some.

The cost was particularly difficult to justify for consumers with additional financial responsibilities (i.e. families with children, mortgage owners, and landlords).

Landlords specifically highlighted concerns around cost, noting that:

- The current financial burden on landlords is too high to think about green home improvements
- Disruptions would lead to lost rental income during the improvement process.

"Well, I **just can't charge enough money for the property to justify the costs** of having the improvements done. It would take so long and be **so disruptive** that it'll be **three months or so at least of rental income lost.**"

Landlord

" I think if we had a **more favourable tax regime for landlords or lower interest rates**, and government support I would factor more efficient energy into my buying decision as I would like to become more energy efficient."

Landlord

"It would cost **more than £2.5k** to insulate my flooring, remove the solid wooden floor, potentially having to replace some skirting in doing so then having the work carried out and relayed. I'd definitely **like to see statistics on how much energy you'd save** and how many years for an average house to **recoup those costs.**"

Homeowner

"The **cost is my primary concern**, with my bills for one person going over £150 some months. A less pressing but also major concern is the environmental cost this has, especially since my home is heated with gas. I've looked into getting solar power with a heat pump but it proved to be **prohibitively expensive, even with government subsidies.**"

Homeowner

Stimulus shown during the online community.

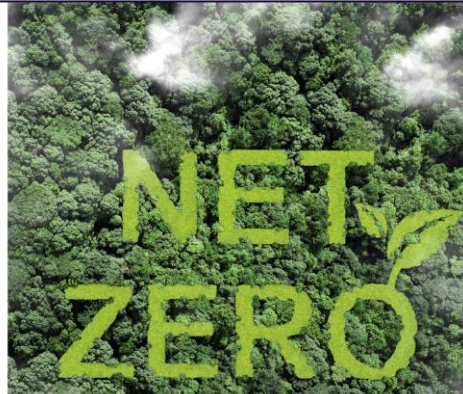
The Scottish government's plans to achieve Net Zero emissions

As Scotland is transitioning to a net zero emissions economy by 2045, the government is seeking to improve the energy efficiency of homes in Scotland.

This will support work on eradicating fuel poverty, and to help reduce greenhouse gas emissions.

23% of the UK's emissions come from the built environment (i.e. our homes and businesses).

The Scottish government is proposing new laws on the heating and energy efficiency of existing homes and workplaces. These are designed to help Scotland reach its climate change targets, create jobs and make homes warmer and cheaper to heat.



The Government's 'Heat in Buildings' bill

As part of reaching net zero emissions, the Scottish government have proposed a legislative initiative called the 'Heat in Buildings Bill'. The aim of the bill is to **enhance energy efficiency and work towards zero emissions across residential and non-domestic buildings.**

The key features of the proposal are:

- Every home must achieve an energy efficiency standard equivalent to at least EPC Band C by 2033. Private rented sector properties would be required to comply by 2030. This would involve improving insulation, reducing heat loss and enhancing overall energy performance of buildings.



Existing schemes to help Scottish residents make energy efficient improvements to their homes

Both the Scottish government and private sector organisations provide grants and loans to help people install clean heat and energy efficiency measures in their homes, including financing products that help with securing larger mortgage loans for greener homes.

Some examples of the types of financial assistance for home energy efficiency measures available are:

Home Energy Scotland Grant and Loan Scheme

This provides homeowners in Scotland with a grant, interest free loan or a combination of both to install clean heating systems and energy efficiency measures.

For clean heating systems such as heat pumps, grant funding of up to £7400 is available with an additional £7500 of funding available as an optional interest free loan.

Warmer Homes Scotland

The Scottish Government's Warmer Homes Scotland programme offers support to households that are struggling to stay warm and keep on top of energy bills.

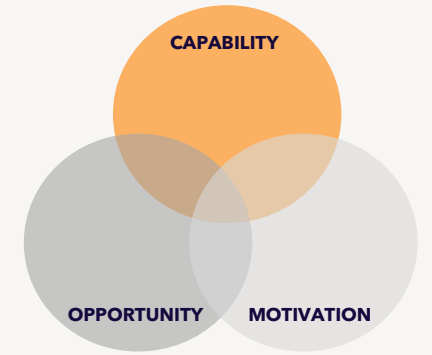
Eligible households can receive energy-saving home improvements worth up to £10,000 or more to make their home warmer and more energy efficient.

Octopus Energy's 'Zero Bills' Initiative

Launched in 2022, this is an energy tariff that allows customers to move into homes which are fully fitted with green technology including heat pumps, battery storage and solar panels, with no energy bills guaranteed for 5 to 10 years.



Existing funding schemes **lack salience** and are **not enough** to overcome cost barriers.



Though existing funding schemes were received positively, Scottish consumers have questions about **eligibility and implementation**, with **assumptions** that the scheme wouldn't be applicable to them or their home.

Additionally, consumers questioned whether schemes would be enough to off-set upfront costs.

"I was **not aware of them** and I feel they should be promoted more as this is likely the reason people are put off making changes to their homes. **Financial help is a must for a lot of people**, maybe telling people if there are **any specific criteria to qualify for these** schemes up front would be useful."

Homebuyer

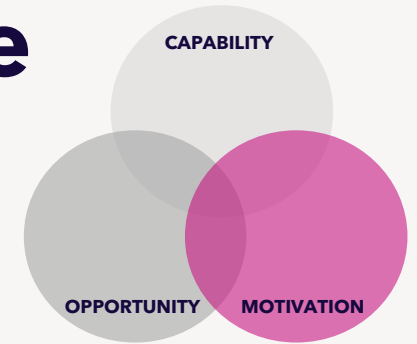
"What can we do to check around about these [funding schemes] as we rent our home as part of a housing association?"

Homebuyer

"I think 'Home Energy Scotland - Grant and Loan Scheme' is a great scheme except that say a heating pump is £12,500, **a homeowner would still have roughly £5000 to pay through the optional loan.**"

Homeowner

Scottish consumers **doubt** the rationale and implementation of government plans.



Scottish residents questioned how realistic the Government's net zero targets are.

In particular, residents questioned:

- Why the government is placing responsibility on **homeowners** and **landlords**
- How the government expects people to afford the changes with knowing the extent of financial pressures many are already under

"Again, I am sympathetic to the net zero aims but do have some **reservations about 'stick' approaches** like this, especially when I have doubts about the technology being available to achieve them. I also have grave doubts about 'new owners' being responsible for replacing existing heat systems with zero emission-based alternatives."

Homeowner

"I think **it is easy to pass legislation and expect** landlords to pay but it is just not possible. If more costs are imposed on me then I will just sell as I can't afford additional costs."

Landlord

"What **stands out to me** in this is that private rented sectors are required to comply with an EPC of band C by 2030. This, in my eyes, is possibly a risk in **causing housing problems** for some. Private landlords when faced with costs they cannot meet **often choose to sell up**. The private rental market in Scotland is in **terrible condition right now** and there's no chance of council homes. There is a risk this will leave private tenants in a very difficult situation indeed."

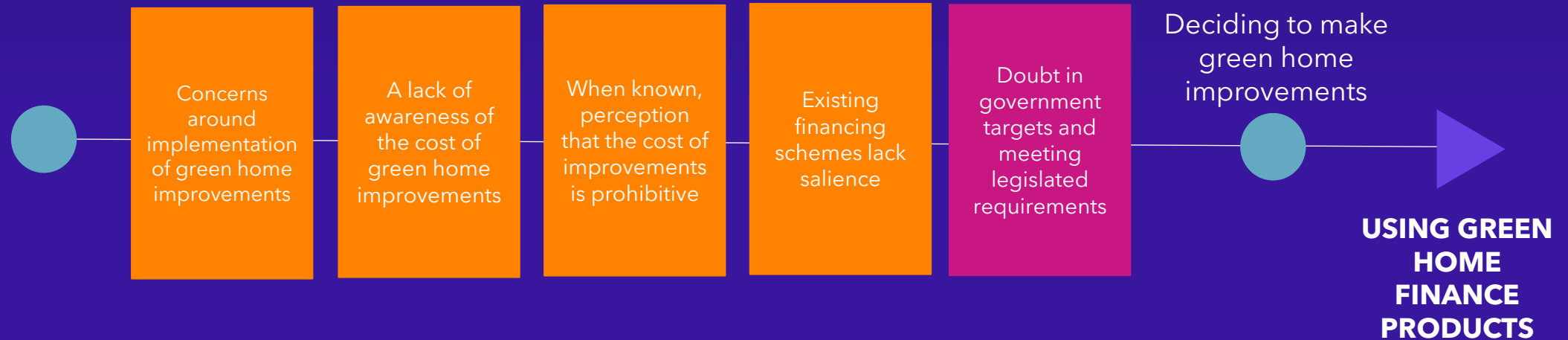
Homebuyer

"The fact it is all on homeowners ridiculous. The government should be funding this! **I would like to know what governments are doing on their end to achieve net zero**, rather than have home owners can cough up tens of thousands pounds for new heating systems!"

Homeowner

Capability and Motivation roadblocks on the way to Green Home Finance take-up.

The COM B model has revealed a series of places where people may be unable to progress to the desired behaviour, making the ultimate goal of using Green Home Finance products out of reach.



In summary: THE CHALLENGE.



Building confidence and trust in making green home improvements.

1. HELP CONSUMERS BUILD KNOWLEDGE AROUND THE TYPES OF GREEN HOME IMPROVEMENTS THEY CAN MAKE AND HOW THEY CAN MAKE THEM

- Consumers need to understand - and relate to - the rationale for why individuals need to make green home improvements. The government's targets should not be communicated without equipping the public with potential solutions to achieve the stated plans.
- While some consumers are further along the adoption curve, for most to be able to make decisions about green home improvements, consumers require clear and simple information on what is available, relevant to their home, and how much they cost - all key factors to considering how these improvements meet their energy efficiency needs.
- When presenting this information, it should account for the varying domestic contexts of Scottish consumers, namely building type, ownership status and cost. This will ensure that consumers can make decisions based on their circumstances.

2. INCREASE TRUST IN GREEN HOME IMPROVEMENTS BY COMMUNICATING THE TANGIBLE AND CREDIBLE BENEFITS

- Trust will be predominantly be built through clear and consistent communication of the need for green home improvements, grounding them in a rationale that speaks to consumer benefits. Communication should use clear use cases with language that resonates with their experience e.g. how much energy should they save, how much money will they save, what other benefits will they experience (e.g. greater warmth) and what will the long-term benefits be to me? (NB the 'greater good' environmental rationale is a lower order priority for consumers at the moment).

Green Home Finance Products.



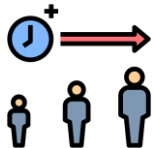
Key considerations.



GFI's Green Home Finance Products are vital facilitators of the target behaviour (to make green home improvements), meaning how they are conveyed to Scottish residents is essential to their take up and the increase of making green home improvements.



Financial literacy is required to understand all solutions, and providing sufficient clarity / education must thread through how all four green home finance solutions are communicated.



The life stage of Scottish consumers is a key part of why they will or will not take up a green home finance solution, that is firmly rooted in length of term and willingness to take on more debt.

Building confidence and trust in green home finance products.

1. ANCHOR GREEN FINANCE SOLUTIONS IN THE COMMUNICATION OF FAMILIAR ELEMENTS

- When presented with new products, consumers look for familiar elements to provide reassurance, e.g. it is key to communicate how a green mortgage operates like a mortgage and where 'green' is a new feature, and for GRAs, referring to the 'split incentive dynamic' has resonance.
- Additionally, consumers want to know that the green finance solutions are something they can get from trusted sources e.g. from their bank or mortgage provider.
- Finally, consumers are familiar with the regulation and safety nets incorporated into finance products, and they also look for them when presented with green home finance solutions. Ensure that consumer protections and regulation of each product are easy to find and understand to aid confident decision making.

2. PROVIDE PEOPLE WITH THE ADDITIONAL TOOLS TO IMPLEMENT GREEN HOME FINANCE SOLUTIONS

- People lack confidence in how to implement energy efficiency improvements, with added confusion on how to implement improvements in tandem with a new financial product. They would like to know if there is end-to-end support built into the products i.e. of trusted suppliers (e.g. as is offered within green home loans)

Building confidence and trust in green home finance products.

3. ENHANCE THE TANGIBLE BENEFITS OF EACH FINANCE SOLUTION

- Clearly communicating the potential energy savings, money savings, tangible changes to the home. The case studies that were used in the research community helped humanise these benefits and ground new ideas in a more relevant scenario.

4. ENSURE THAT THE RELEVANCE OF PRODUCTS TO CONSUMER CIRCUMSTANCES IS COMMUNICATED

- Consumers feel more trust and confidence in financing options that align with their circumstances. Seeing how a green home finance product fits in with their homebuying intentions, remaining mortgage term, risk/debt tolerance and future plans for their property allows them to relate to the product and its benefits.
- This can also be achieved by highlighting the flexibility of a financial product, as consumers feel safer in the knowledge that the product they are choosing allows for changing or differing circumstances.

Green Mortgages.



Overview of Green Mortgages.



DRIVERS

The term 'mortgage' is a heuristic that aids comprehension

Knowledgeable and financially literate consumers are engaged with the product

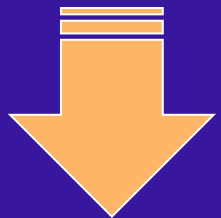
Green mortgages are perceived as for 'everyone'

Integration of improvements into an existing loan type makes it accessible

Well-aligned with environmentally conscious homebuyers

Tangible rewards and benefits are appealing

BARRIERS



Green Mortgages are less appealing for retrofitting

Some consumers are deterred by the length of term despite incentives

Older consumers are less motivated by green initiatives



Green Mortgage Drivers.

Homeowners

Homebuyers

Landlords



DRIVERS

"As the Green Mortgage would give a preferential repayment/interest rate for the 'green' improvements then I possibly would consider this."

"It would allow me the choice to buy a more energy efficient home & to live sustainably, make a contribution towards reducing my impact on our climate & energy use."

"Considering the net zero targets we are all going to have to consider these green options at some point. I could definitely see myself making greener improvements."

"I would be **interested to find out the eligibility criteria** for the various green mortgage products. I would also **like to know which lenders have green mortgage schemes**, and how they differ. Finally, clear data of the short- and long-term benefits would aid in my decision."

"I think this **could be for any and everybody**, and perhaps mortgage lenders should be made to offer these ahead of non-green mortgages."

"It would **allow me** the choice **to buy a more energy efficient home** & to live sustainably & make a contribution towards reducing my impact on our climate & energy use."

"If there was a financial reward or discount and you can improve efficiency resulting in cost saving and have it done cheaper that's a big benefit."

I think it's **highly likely** we'd want to take advantage of something like this when we are **looking to own our own property**.

"The current generation of first-time buyers (although I appreciate that's a huge age range) are much more amenable and open to Green products and understanding that this kind of thing is the future. I'm unsure if at the grand old age of 44 I would be as open to it. I know that sounds selfish. I want assistance to make my house greener but unsure how that desire sits with a Green Mortgage."

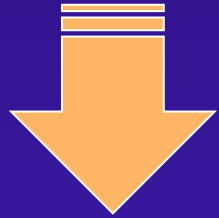
"It's directed towards homeowners and prospective homeowners. **Regardless of there socioeconomic background this could be seen as beneficial to anyone.**"

"I support the Net Zero agenda and so would like to use a green mortgage if possible."

"They definitely appeal to me, as I think financial products such as these will allow me to embark on the home improvements that improve my home's energy efficiency **without creating a huge debt or financial stress for myself and my family.**"

Green Mortgage Barriers.

BARRIERS



"I wouldn't want to make my mortgage any bigger by adding the costs to a remortgage. I'd rather be mortgage free sooner."

"Will an aging population of homeowners, who own homes outright, have the capacity and ability to negotiate the green home loan system and undertake the substantial work involved? Will there be support for them to do so?"

"I think **starting off with a home that meets the criteria is much more efficient rather than having to retrofit.**"

"I think they seemed aimed at new builds. **My properties are from the 1900s and I review and upgrade as each issue potentially could occur.**"

"I would like to know about **their application to older properties**, will buyers ultimately be deterred in favour of new builds customised to the green standard?"

I think that green mortgages would **be mostly aimed at first time buyers**. This is because there is a built in financial incentive. This **could be complicated for someone in a property chain.**

"I'm just unsure. I am the kind of person **who would rather save and pay** for the improvements outright rather than go into debt."

"Because I don't have a mortgage on my rental property and **I'm too old and can't be bothered** to make any changes as I'll be selling up and retiring in under 5 years."

Likelihood to use.

Likelihood to use a **Green Mortgage** is rooted in:

- Environmentally conscious mindset and desire to reduce carbon emissions
- A desire to make energy and money saving improvements (i.e. heat pumps and solar panels)
- Lower interest rates

However, lower likelihood to use a **Green Mortgage** is rooted in:

- Longer terms
- A lack of information on the long-term benefits and cost implications
- Lack of appeal in retrofitting

"In the future we are **hoping to plan to upgrade our existing central heating system to a heat pump**. If financial support in the form of a green mortgage product was applicable to this and it was cost effective and within our budget, we would definitely seek to use this plan." **Homeowner**

"I would be **keen to reduce the carbon footprint of my own house** as much as possible." **Homeowner**

"I think **starting off with a home that meets the criteria is much more efficient rather than having to retrofit**. This would also come with the discounted rate which makes it even more appealing to me." **Homebuyer**

"I would be especially interested in any improvements which were **money saving**. e.g solar panels. as you could use the savings to offset the cost of the extra borrowing." **Homeowner**

"It really **depends** on the interest rate." **Homebuyer**

"I am the kind of person who would rather save and pay for the improvements outright rather than go into debt but as the Green Mortgage would give a preferential repayment/interest rate for the 'green' improvements then I possibly would consider this." **Landlord**

"That being said, the **appeal of low interest rates** or being able to afford a better home is hugely appealing. As is the fact that the home would actually lower our spending for the future." **Homebuyer**

"It seems **like quite a hassle** to take out a green mortgage just to make improvements to energy efficiency." **Homeowner**

Familiarity with mortgages drives comprehension and further questions.

THE TERM 'MORTGAGE' IS A HEURISTIC THAT AIDS COMPREHENSION

Whilst knowledge of how they work may differ, mortgages are a familiar financial product.

The word 'mortgage' acts as an availability heuristic, meaning Green Mortgages are better understood overall.

KNOWLEDGEABLE AND FINANCIALLY LITERATE CONSUMERS ARE ENGAGED WITH THE PRODUCT

Scottish residents who have experienced the mortgage process or are more financially literate understand Green Mortgages the most and tend to be more engaged with the idea of using one because of this.

"I think it's **highly likely** we'd want to take advantage of something like this when we are **looking to own our own property**."

Homebuyer

"As the Green Mortgage would give a preferential repayment/interest rate for the 'green' improvements then I possibly would consider this."

"I would be **interested to find out the eligibility criteria** for the various green mortgage products. I would also **like to know which lenders have green mortgage schemes**, and how they differ. Finally, clear data of the short- and long-term benefits would aid in my decision."

Homeowner

"It would **allow me** the choice **to buy a more energy efficient home** & to live sustainably & make a contribution towards reducing my impact on our climate & energy use."

Homebuyer

Green Mortgages are perceived as inclusive.

GREEN MORTGAGES ARE PERCEIVED AS FOR 'EVERYONE'

This finance solution was viewed as being targeted for individuals and families; homeowners and homebuyers; the environmentally conscious and those interested in buying new builds. Overall, the product is seen as having target reach.

INTEGRATION OF IMPROVEMENTS INTO AN EXISTING LOAN TYPE MAKES IT ACCESSIBLE

By integrating the costs of green home improvements into an existing long-term financial commitment, it makes upgrades accessible and easier to do.

"I think this **could be for any and everybody**, and perhaps mortgage lenders should be made to offer these ahead of non-green mortgages."

Homeowner

"It's directed towards homeowners and prospective homeowners. **Regardless of there socioeconomic background this could be seen as beneficial to anyone.**"

Homeowner

"They definitely appeal to me, as I think financial products such as these will allow me to embark on the home improvements that improve my home's energy efficiency **without creating a huge debt or financial stress for myself and my family.**"

Homeowner

The possibility of using a Green Mortgage for retrofitting feels **remote** for some homeowners.

GREEN MORTGAGES ARE LESS APPEALING FOR RETROFITTING

Taking out a green mortgage to retrofit a home is a high-effort and high-commitment action for some homeowners and landlords.

This is particularly felt by consumers who own listed or heritage buildings, where their options for improvements are limited, making a Green Mortgage feel irrelevant to their needs.

"I think they seemed aimed at new builds. **My properties are from the 1900s and I review and upgrade as each issue potentially could occur.**"

Landlord

"I would like to know about **their application to older properties**, will buyers ultimately be deterred in favour of new builds customised to the green standard?"

Homebuyer

I think that green mortgages would **be mostly aimed at first time buyers**. This is because there is a built in financial incentive. This **could be complicated for someone in a property chain**.

Homebuyer

"I think **starting off with a home that meets the criteria is much more efficient rather than having to retrofit**. This would also come with the discounted rate which makes it even more appealing to me."

Homebuyer

Green Mortgages **incentivise a green mindset.**

WELL-ALIGNED WITH ENVIRONMENTALLY CONSCIOUS HOMEBUYERS

Scottish residents agree that this product, more so than the others, would appeal to those who are pro the Scottish government's net zero ambitions because it aims to incentivise those who are looking to buy a greener home.

TANGIBLE REWARDS AND BENEFITS ARE APPEALING

Rewards and benefits of taking out a green mortgage have high appeal and are more motivating than something that is variable like interest rates.

"It would allow me the choice to buy a more energy efficient home & to live sustainably, make a contribution towards reducing my impact on our climate & energy use."

Homebuyer

"I support the net zero agenda and so would like to use a green mortgage if possible."

Homebuyer

"Considering the net zero targets we are all going to have to consider these green options at some point. I could definitely see myself making greener improvements. "

Homeowner

"If there was a financial reward or discount and you can improve efficiency resulting in cost saving and have it done cheaper that's a big benefit."

Homeowner

However, incentives are **not enough** for outright owners and older consumers.

SOME CONSUMERS ARE DETERRED BY THE LENGTH OF TERM DESPITE INCENTIVES

Homeowners and **Landlords** who own their home or rental property outright or are close to paying off their current mortgage are less likely to start a loan with a long term like a Green Mortgage.

OLDER CONSUMERS ARE LESS MOTIVATED BY GREEN INITIATIVES

Some older consumers do not resonate with the need for green initiatives and net zero government targets, making a Green Mortgage feel irrelevant to them.

"I wouldn't want to make my mortgage any bigger by adding the costs to a remortgage. I'd rather be mortgage free sooner."

Homeowner

"Will an aging population of homeowners, who own homes outright, have the capacity and ability to negotiate the green home loan system and undertake the substantial work involved? Will there be support for them to do so?"

Homebuyer

"The current generation of first-time buyers (although I appreciate that's a huge age range) are much more amenable and open to Green products and understanding that this kind of thing is the future. I'm unsure if at the grand old age of 44 I would be as open to it. I know that sounds selfish. I want assistance to make my house greener but unsure how that desire sits with a Green Mortgage."

Landlord

"Because I don't have a mortgage on my rental property and I'm too old and can't be bothered to make any changes as I'll be selling up and retiring in under 5 years."

Landlord

Solving language issues.

- **'Enhanced affordability'** - this was not immediately clear due to limited knowledge on how mortgage brokers calculate affordability in the first place.
- **'Integrated retrofit solutions'** - as a term, this overcomplicates the feature and makes it difficult for consumers to work out what they are getting.
- Consumers also had questions about how the relationship between lender, supplier and borrower works.
- **'Green further advances'** - this language is not consumer friendly and it was not immediately clear that this was about remortgaging.

NB: Language issues were addressed when designing stimulus for the quantitative stage.

Green mortgages

A green mortgage is a type of **secured loan*** that encourages homeowners and homebuyers to make more sustainable decisions about their properties. These mortgages can either **incentivise you to purchase a sustainable home** or **help you to improve the sustainability of your existing home**.

**This means the lender can take back the property to pay off the debt if the borrower doesn't keep up with their mortgage repayments. This is the key difference between secured and unsecured lending.*

KEY FEATURES

The UK's green mortgage market has grown significantly in the last 5 years - from 4 products in 2019 to more than 60 in 2024 across 39 different lenders. There are many different green mortgage options out there, but they aren't always marketed directly to consumers, as 9 in 10 mortgage borrowers use the help of a broker to find the right mortgage to suit their needs.

Green mortgages fall broadly into two categories:

INCENTIVE-BASED	IMPROVEMENT-BASED
<p>Mortgages that encourage you to purchase or remortgage a home that already meets certain sustainability criteria. For example:</p> <ul style="list-style-type: none">• Discounted rate green mortgage products for homes with an A or B Energy Performance Certificate or 'EPC' rating.• 'Enhanced affordability' - where lenders let you take out a bigger mortgage if you buy an energy efficient property, on the basis that more efficient homes tend to have cheaper running costs.	<p>Mortgages that enable you to sustainably improve your home. For example:</p> <ul style="list-style-type: none">• Cashback rewards given after you make certain energy-efficient, clean heat or climate resiliency home improvements.• Green further advances allow you to borrow extra at reduced rates on top of your current mortgage for sustainable retrofit projects.• Integrated retrofit solutions that use third-party providers to embed retrofitting (green home improvement) services into the mortgage journey.

KEY BENEFITS (NB: Not all benefits apply to all types of green mortgage)

- Borrowers can be rewarded for owning an efficient home with lower interest rates and other benefits.
- 'Enhanced affordability' can help buyers without a lot of savings or capacity for more debt to get a boost to their homebuying budget, allowing them to afford a better quality, more energy efficient home that might otherwise have been out of their price range.
- Cashback rewards can help bring down the cost of upgrading, but the money can be spent on anything - it doesn't have to be related to green home improvements.
- 'Green further advances' can offer subsidised rates and additional flexibility for financing specific projects, on separate terms from the main mortgage.
- Integrated retrofit solutions can help ease the confusion and complexity of the retrofitting journey by connecting customers with trusted suppliers and service providers.
- Some broker firms now offer tailored green advisory services, helping consumers to navigate the green home improvement journey, find out about grant eligibility and recommend the best financial solution for their needs.

Key issues to solve.



ELIGIBILITY & COMPATIBILITY

Scottish consumers want to understand the flexibility and applicability of Green Mortgages for different buyer and homeowner situations.

- Can a Green Mortgage be used in conjunction with other schemes (i.e. first-time buyer schemes)?
- Can a Green Mortgage be used for buy to let?
- Can a Green Mortgage be used to make improvements on an older building?
- What green home improvements can be made using a Green Mortgage?



STANDARDS & REGULATIONS

Scottish consumers want to understand how regulations ensure high-quality and what standards will come into place to help buyers make informed decisions.

- How will contractors and suppliers be assessed to build homes to the right standard?
- Will the EPC rating of prospective homes be made more readily available to aid the home search?



FINANCIAL PROCESS

Scottish consumers want to clarify whether there are financial advantages or differences in cost structure when choosing a Green Mortgage.

- How do interest rates of Green Mortgages compare to standard mortgages?
- How do repayment schedules differ from standard mortgages?
- How does a Green Mortgage work for remortgaging my home?

Increasing confidence in Green Mortgages.

"I'd like to know the **specific types of green improvements you could make** with the money. Maybe also when searching Good Moves, Zoopla, ESPC etc then if a property is EPC A and therefore eligible for a Green Mortgage then **maybe that house photo could have a 'Green Mortgage Approved'** sticker on the cover photo. Some people will be genuinely drawn to this."

"I'd like to **know if housebuilders will be actively encouraged to build to standards** that will make their product eligible to be bought using a green mortgage."

"Can our **mortgage broker** arrange all of this for us? Will **standard banks** such as Barclays or Halifax be open to these schemes? Will it **affect our current interest rates** in a positive way? E.g, will our **monthly payments be cheaper?**"

"**How it works financially.** There are no numbers / examples of how it works for investment properties."

"What does the green remortgage **look like?** I hope it follows the same structure of the initial green mortgage where the base rate is docked for having made the upgrades despite not being on a green mortgage initially. And is the green mortgage locked in - I imagine it will be different terms, 2,5 and 10 year but **are you eligible to remortgage** to a green mortgage once you've made those improvements? I have a feeling that it would be a once and done and it would be capped but I would love to be wrong."

"I'd wonder if it would be the best "scheme" available to our needs at the time and if it can be **used in conjunction** with anything else."

"As I said previously, it would be interesting to know if **such incentives would be offered with buy-to-let** mortgage products."

"How **easy** it would be to add on extra borrowing to your existing mortgage. We had to release equity this year for a new roof and it was an absolute nightmare! I would hope this is designed to be easier."

Unsecured Green Home Loans.



Overview of Unsecured Green Home Loans.



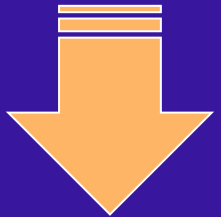
DRIVERS

A suitable alternative for those looking for flexibility

No up front costs drives appeal

0% interest rate loans cuts through

BARRIERS



Unsecured loans for green home improvements feels unfamiliar

Eligibility of improvements with this loan type are unclear

Bigger improvements might price out personal loans

Older and risk averse consumers would prefer to save



Unsecured Green Home Loans Drivers.



DRIVERS

"It seems like a very **valuable option** if you wish to make improvements without lengthy saving."

"The availability of **0% loans or lower interest rates** than mortgages definitely makes it **more appealing**. Knowing that it will cost less than a normal loan is encouraging."

"The potentially **lower interest rates I find appealing** as well as the home being energy efficient so that utility bills would be lower."

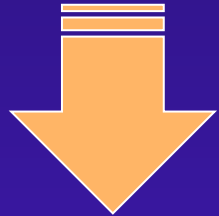
"If I were to use this type of loan I would potentially use it towards energy efficient heating systems as to have this in the home quicker but be able to pay the loan over a period of time sounds like a **valuable option**."

"The 0% interest is a great way to **encourage people** to make the changes for the better."

"I would be **very open** to this type of product. Interest rates on mortgages worry me at the moment as we are paying almost double what we initially started paying on our mortgage so keeping any costs down is a must for us."

Unsecured Green Home Loans Barriers.

BARRIERS



"**Confusing:** You mean they must certify that they've *been told* by the borrower that the funds should be spent on green incentives. If the dosh has gone over the bar at Wetherspoons, **how are they going to know.** Loans should be only available against receipts for green incentive-centric goods and services. And it should be verified with sanctions put on those who didn't spend the money as outlined."

"So, a green personal loan is a different thing to a personal loan?"

"**Where the lender is also the supplier, the consumer is a more risk I believe.** Kitchen companies offering finance are a case in point. The quality of the products offered and service provided can be very variable."

"I think green personal loans are a bit **misleading** as it just feels like a personal loan."

"This sounds **like a con.** No one should be borrowing through a retailer or contractor."

"I'm very **risk averse** so I don't borrow, I **save up or sell something** if a major purchase is required."

"I **don't think I'd be comfortable taking out a loan** to do most of these improvements, I would prefer to save up."

Likelihood to use.

Likelihood to use an **Unsecured Green Home loan** is rooted in:

- **Shorter terms** and the lower commitment opportunity this offers
- The opportunity to **use either loan mechanism** to make smaller green home improvements

However, lower likelihood to use a green loan is rooted in:

- **Aversion to taking on debt** across a shorter term
- Homeowners who **do not expect** to be in their home long-term
- A **lack of familiarity** with personal loans and/or point-of-sale finance

"If I was staying here long term, I would be **tempted**. I would think of doing the internal wall insulation - my partner actually has some left over - might do it myself - I would only do it for the back bedroom walls as that where I feel insulation is lacking and loft insulation."

"I'd be very tempted with the point of sale finance. Yet still part of me has no debt so I don't want to start getting into debt now."

"I'm disciplined enough to use the loan for it's intended purpose, since **I am not worried about misusing it.**, I also think I may be able to get a lower interest rate on a loan by shopping around."

"I don't think I'd be comfortable taking out a loan to do most of these improvements, I would prefer to save up."

"I am **not likely to be living here long enough in order to do the repayment** and often the lenders charge you an extortionate fee to repay early which just isn't worth it."

"I'm very **risk averse** so I don't borrow, I save up or sell something if a major purchase is required."

Scottish residents are unfamiliar with the mechanism of this loan.

UNSECURED LOANS FOR GREEN HOME IMPROVEMENTS FEELS UNFAMILIAR

Unsecured loans is newer territory for consumers, particularly in relation to green home improvements. Some consumers also wanted clarification on the need for a 'green' unsecured loan and how it differs from a standard one.

Additionally, the lender-supplier-borrower relationship was confusing and raised questions on regulation and delivery.

ELIGIBILITY OF IMPROVEMENTS WITH THIS LOAN TYPE ARE UNCLEAR

This finance product makes sense to consumers for the higher-cost improvements they want to make, specifically heat pumps and solar panels. However, they were unsure what other improvements they could feasibly make with this finance. This made the financial solution feel less applicable for those who might want to make 'smaller' improvements.

"I think green personal loans are a bit misleading as it just feels like a personal loan."

Landlord

"This sounds like a con. No one should be borrowing through a retailer or contractor."

Homebuyer

"Where the lender is also the supplier, the consumer is a more risk I believe. Kitchen companies offering finance are a case in point. The quality of the products offered and service provided can be very variable."

Homebuyer

"Confusing: You mean they must certify that they've *been told* by the borrower that the funds should be spent on green incentives. If the dosh has gone over the bar at Wetherspoons, how are they going to know. Loans should be only available against receipts for green incentive-centric goods and services. And it should be verified with sanctions put on those who didn't spend the money as outlined."

Landlord

"So, a green personal loan is a different thing to a personal loan?"

Homeowner

Scottish consumers are divided on the flexibility this loan offers.

BIGGER IMPROVEMENTS MIGHT PRICE OUT PERSONAL LOANS

Whilst using an unsecured personal loan is appealing due to shorter terms and no-collateral, it loses appeal for homeowners and landlords wanting to make bigger improvements. This cohort tend to view it as a loan for smaller improvements.

"If I were to use this type of loan I would potentially use it towards energy efficient heating systems as to have this in the home quicker but be able to pay the loan over a period of time sounds like a valuable option."

Homebuyer

A SUITABLE ALTERNATIVE FOR THOSE LOOKING FOR FLEXIBILITY

Having a short-term option on the market is appealing to some consumers as it allows for flexibility, as you are not bound to a longer-term finance product.

NO UP FRONT COSTS DRIVES APPEAL

The ability to access financing to make energy efficiency and climate resiliency improvements without having to save up the full amount upfront is appealing.

"It seems like a very valuable option if you wish to make improvements without lengthy saving."

Homebuyer

"I would be very open to this type of product. Interest rates on mortgages worry me at the moment as we are paying almost double what we initially started paying on our mortgage so keeping any costs down is a must for us."

Homeowner

Lower interest rates are impactful but not for debt-averse consumers.

OLDER AND RISK AVERSE CONSUMERS WOULD PREFER TO SAVE

There are concerns about taking on additional debt, even for beneficial home upgrades, especially among risk-averse or older borrowers who prefer to save up rather than borrow via an unsecured loan.

"I'm very **risk averse** so I don't borrow, **I save up or sell something** if a major purchase is required."
Landlord

"I don't think I'd be comfortable taking out a loan to do most of these improvements, I would prefer to save up"
Homeowner

0% INTEREST RATE LOANS CUTS THROUGH

However, for those who find this loan appealing, they are particularly attracted to 0% or lower interest rates than a mortgage, and it is seen as a motivator to use the finance product.

"The availability of **0% loans or lower interest rates** than mortgages definitely makes it **more appealing**. Knowing that it will cost less than a normal loan is encouraging."
Homeowner

"The potentially **lower interest rates I find appealing** as well as the home being energy efficient so that utility bills would be lower."
Homebuyer

"The 0% interest is a great way to encourage people to make the changes for the better."
Homebuyer

Solving language issues.

- **'Robust consumer protections'** – This felt like a catch all term to consumers and more information was required to understand how borrowers are protected.
- Framing this product as for consumers who **owned their property outright** limited its reach, especially amongst mortgage homeowners and prospective homebuyers who liked it as a finance option.
- **'Pre existing arrangements'** – the mechanism between lender, supplier and borrower within point-of-sale finance was confusing to some consumers.

NB: Language issues were addressed when designing stimulus for the quantitative stage.

Unsecured green home loans

Unsecured green home loans are a specialised form of financing, tailored specifically to assist homeowners with making energy efficiency, clean heat and climate resiliency (e.g. resilient to flooding) upgrades.

KEY FEATURES

These lending products all into two categories: **personal loans** or **point of sale finance**, and these have similarities with existing lending products for other types of consumer goods.

PERSONAL LOANS

Funds are sent from a lender direct to a borrower to use at their discretion - referred to as a **personal loan**.

Personal loans can fund various products, and while lenders may ask 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 low-carbon and energy efficient home improvements, which may be complex and costly to implement.

POINT-OF-SALE FINANCE

Point-of-sale finance commonly refers to a financial product where there are 'pre-existing arrangements' between the lender and the supplier, or the lender is also the supplier. It is commonly used to fund home improvements like kitchens.

Point-of-sale finance must include detail of what the loan is financing (green or energy-efficient home improvements) and the price of the goods/ services being financed.

KEY BENEFITS

- A homeowner's property is not directly at risk if they default on their loan.
- Borrowing over shorter terms typically results in lower overall costs compared to long-term loans. Although shorter-term interest rates can be higher, borrowing over shorter terms typically result in lower overall costs compared to longer term loans.

For privately owned UK homes that are owned outright (without a mortgage), unsecured financing offers a practical alternative for this significant segment of the market.

- Some forms of unsecured green home loans come with particularly robust consumer protections

Key issues to solve.



FINANCIAL FLEXIBILITY

Scottish consumers want to understand how unsecured green home loans work on a financial level and what level of flexibility they afford.

- Will costs of improvements be higher to account for lower interest rates?
- What would monthly costs look like?
- What happens if my financial circumstances change?
- What is the limit of a loan?



ELIGIBILITY & APPROVAL

Scottish consumers want clarity on whether they meet the criteria for a green home loan or not, and whether the improvements they want to make do as well.

- Will there be a credit check?
- What improvements are compatible with this type of loan?
- How do green personal loans compare to standard loans in terms of eligibility?



REGULATION

Scottish consumers want to know that unsecured green home loans come with protections, both in relation to the lender and the supplier.

- How are lenders and suppliers regulated?
- Would your choice of point-of-sale finance providers be limited?
- How are point-of-sale finance providers regulated?

Increasing confidence in Unsecured Green Home Loans.

"It would be interesting to know if there were competing POS finance products that you as the buyer could choose from. Or would you be restricted. eg I want to buy a boiler from Green Boilers R Us and I have a choice of three green loans to finance this boiler. I want to go with Option 2 because they align more with my environmental view."

"I would like to see projections for various improvements and play with a payment calculator to see what I can afford."

"I'd like to know about eligibility, loan limits and how repayments compare to other financing options for these upgrades."

"Is there a certain income/credit score you need to have to be able to access this type of loan?"

"Specifics on who is eligible for each loan type, loan amounts, and clear comparisons between these loans and other loans of a similar sort."

"I would want to know why there is a difference between the 0% and having to pay a %... what is the criteria is it the amount you are borrowing or the product or is it just 0% if you use their chosen supplier."

"If your circumstances change, how is it handled? For instance, do the company agree a longer payment plan?"

"I am interested in how the products sold via point of sale finance are regulated to ensure a standardised product. For example, kitchen companies offers point of sale finance vary greatly in terms of the quality of product they provide - the product and the service."

Green Rental Agreements.



Overview of Green Rental Agreements.



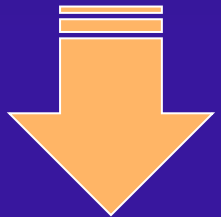
DRIVERS

The split incentive dynamic is salient

A clear way for landlords to recover costs and meet EPC requirements

The chance to mitigate energy spikes is appealing

BARRIERS

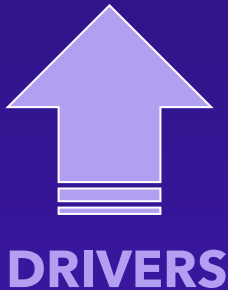


Perceived as having greater benefit to landlords

Concerns around the impact of GRAs on rental property availability and cost



Overview of Green Rental Agreements.



"I think the key benefits are knowing that **your payments remain the same without any price hikes** that you cannot afford."

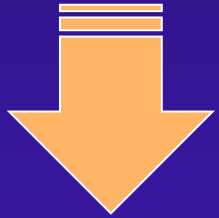
"It's a benefit to have an **economically heated home** and hopefully it will save on bills."

"The way the information has been presented to me today I see GRAs being an **excellent way to help get private rental properties up to the correct EPC band** as there are benefits to both Landlord and tenant. If it really is as beneficial to both as it has been made out to be then it would be absolutely foolish for Landlords not to sign up to this. Also, once they become more common knowledge **then I think tenants would actively seek out GRAs** so they knew they weren't getting screwed over by their Landlord. **Especially the more environmentally conscious tenant.**"

"Landlords will get their properties **upgraded to the correct EPC level at fairly reduced costs** to themselves. They can also make their tenants happy too with savings which makes for an easier life I feel."

Overview of Green Rental Agreements.

BARRIERS



"Unfortunately, I think **this probably benefits the government most** in meeting their targets. I don't think landlords will see appeal or benefit. Tenants will benefit sometimes from warmer homes and those who live in risk of areas at risk of flooding will benefit. Tenants **don't see cost reduction** and landlords have to take on a lot of hassle so I do see the government as the main winner in this."

"They don't *really* [help Landlords meet the EPC rating] because in the final analysis **there's no balance of power** in the private rental market. There's such a high demand and low supply that all landlords know they can get away with pretty much anything because they're will always be a new tenant around the corner. It would be like Brad Pitt being dumped and then being worried that he couldn't find a date for drinks and dinner!"

"I think the only real benefit to a renter is the added warmth (or safety in some cases), as they don't obviously save any money."

"In my own case, my landlord has been slow in carrying out necessary repairs and has never made any form of home improvement. **I'm concerned he might not want the hassle of this and may sell.**"

Attitudes towards GRAs.

Tenants' positivity towards Green Rental Agreements is rooted in:

- Positive reception of a 'bills included' style agreement
- Having a warmer home

However, tenants have concerns that this finance solution may raise rental prices further and unfairly favour landlords.

Landlords' likelihood to use a Green Rental Agreements is rooted in:

- The chance to off-set cost of improvements
- A clear way to meet EPC requirements

However, landlords have concerns that tenants would not want to sign GRAs or would use energy excessively.

"I like the idea of it not only is the home efficient, but bills are **combined**."

"I think its a great idea however I would want to be sure that as a renter this **would not incur an extra charge** that would take away funds from my savings to buy a house."

"I would be **happy** to hear that the landlord wished to make it more sustainable."

"I feel as though it would **make rental prices higher** and price people out."

"I think I'd be torn. I'd also **be hyperaware that I was covering extra costs** in some way (even if baked in) to a home **I'll never get to keep**."

"I **will have to do this** if this becomes a law. I will try to include a point in this contract restricting using energy to a certain sum of money to prevent the tenants from using heating and electricity without any control."

"It is definitely something I would consider as it kind of feels like I **wouldn't be paying** for it at all."

"It's clear the landlord can recover the cost."

"It gives a sense of **security** to both parties."

"It seems like a **sensible incentive** if a landlord plans to continue renting out until and beyond 2030."

GRAs are addressing important issues for Landlords and Tenants.

THE EXISTING SPLIT INCENTIVE DYNAMIC IS SALIENT

Scottish consumers are highly aware of a split incentive dynamic between landlords and tenants, so the fact that Green Rental Agreements are a solution looking to rebalance the dynamic makes sense.

A CLEAR WAY FOR LANDLORDS TO RECOVER COSTS AND MEET EPC REQUIREMENTS

Green Rental Agreements are viewed as a functional way of off-setting the cost of green home improvements, and to get rental properties to the correct EPC band.

THE CHANCE TO MITIGATE ENERGY SPIKES IS APPEALING

This is compounded by the fact that tenants have high mental availability of large energy bills and inefficient rental properties.

"It's a benefit to have an **economically heated home** and hopefully it will save on bills."

"I think the key benefits are knowing that **your payments remain the same without any price hikes** that you cannot afford."

"Landlords will get their properties **upgraded to the correct EPC level at fairly reduced costs** to themselves. They can also make their tenants happy too with savings which makes for an easier life I feel."

"The way the information has been presented to me today I see GRAs being an **excellent way to help get private rental properties up to the correct EPC band** as there are benefits to both Landlord and tenant. If it really is as beneficial to both as it has been made out to be then it would be absolutely foolish for Landlords not to sign up to this. Also, once they become more common knowledge **then I think tenants would actively seek out GRAs** so they knew they weren't getting screwed over by their Landlord. **Especially the more environmentally conscious tenant.**"

Landlords

Tenants

Consumers are concerned about continued imbalance.

PERCEIVED AS HAVING GREATER BENEFIT TO LANDLORDS

Whilst benefits to tenants were recognised, the majority of Scottish consumers felt that the benefits for landlords surpassed those of tenants.

The overall sentiment was that landlords were able to off-set costs for improvements that they will potentially be required to make, whilst tenants would face the true financial implications of that, therefore, reinforcing the current imbalance between landlords and tenants.

"They don't *really* [help Landlords meet the EPC rating] because in the final analysis **there's no balance of power** in the private rental market. There's such a high demand and low supply that all landlords know they can get away with pretty much anything because they're will always be a new tenant around the corner. It would be like Brad Pitt being dumped and then being worried that he couldn't find a date for drinks and dinner!"

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"I'd be hyperaware that I was **covering extra costs** in some way (even if baked in) to a home I'll **never get to keep.**"

Landlords

Tenants

Consumers are concerned about the impact of GRAs on the rental market.

CONCERNS AROUND THE IMPACT OF GRAS ON RENTAL PROPERTY AVAILABILITY AND COST

Views on GRAs are strongly conflated with sentiment towards government EPC targets for rental properties.

Scottish consumers are concerned that with a financial solution like a GRA on the market, it would lead to added pressure on landlords, encouraging them to sell, resulting in a rental property shortage.

Additionally, monthly rental costs are such a large part of the narrative in the Scottish rental market, so a mechanism that likely will increase monthly payments (even with access to a more energy efficient rental property and predictable bills) does not feel like a valuable nor relevant benefit.

This is compounded by the fact that tenants already have such low expectations for the energy efficiency of their rental properties.

"Unfortunately, I think **this probably benefits the government most** in meeting their targets. I don't think landlords will see appeal or benefit. Tenants will benefit sometimes from warmer homes and those who live in risk of areas at risk of flooding will benefit. Tenants **don't see cost reduction** and landlords have to take on a lot of hassle so I do see the government as the main winner in this."

"In my own case, my landlord has been slow in carrying out necessary repairs and has never made any form of home improvement. **I'm concerned he might not want the hassle of this and may sell.**"

Landlords

Tenants

Solving language issues.

Green Rental Agreements were generally understood, however, aiming to balance the finance solution by including tenant benefits confused understanding of the finance solution's intended purpose.

Some Scottish consumers reactions to this product indicate that removing tenant benefits from the equation (at this stage) may help Scottish consumers understand the intended purpose of this product which ultimately is to:

- Help landlords bring their rental properties to EPC rating requirements
- Off-set the cost of meeting these requirements

Green Rental Agreements (GRAs)

A Green Rental Agreement (GRA) **combines rent and expected energy costs**, ensuring landlords benefit from energy savings and tenants enjoy predictable expenses.

KEY FEATURES

Green Rental Agreements (GRAs) are a financial product that align with growing tenant demand for sustainable living and new government regulations which will require all privately rented properties to have an EPC rating of at least C by 2030.

With a GRA, landlords can make upgrades to a rental property like energy efficient improvements, move to clean heating systems and adapt their properties to make them more climate resilient (e.g. against flooding). Landlords can package the cost of those improvements within a “warm rent” package to tenants. This tackles the current split incentive dynamic between landlords and tenants, by delivering benefits to both the landlord and the tenant(s).

KEY BENEFITS

Landlords:

- Provides landlords with a clear way to recover initial investment costs while improving the energy efficiency of their properties.
- Allows landlords to meet new government regulations which will require all privately rented properties to have an EPC rating of at least C by 2030.

Tenants:

- Benefit from a fixed “warm rent” cost, combining rent and energy bills, making energy prices more predictable across the year, protecting them from price spikes in the energy market.
- Enjoy warmer, healthier, more comfortable homes with potential access to additional energy infrastructure e.g. electric vehicle charging points.

Key issues to solve.



TENANT PROTECTIONS & FAIRNESS

Scottish consumers want to know how protections will be put in place to help tenants and also to ensure that there isn't an abuse of the agreement (over usage of energy).

- What protections will be put in place for tenants to avoid expensive rental agreements?
- Will there be restrictions placed on the amount of energy tenants can use?
- How are the costs of the improvements and the savings of the tenant calculated to ensure a fair distribution?
- Are there hidden fees?



REGULATIONS & ELIGIBILITY

Scottish consumers want to clarify whether there are financial advantages or differences in cost structure when choosing a GRA.

- Who would regulate these agreements?
- What properties are eligible for a GRA?
- Will there be third party suppliers involved, such as energy providers?

Increasing confidence in Green Rental Agreements.

"How can energy use be fixed and subsumed under the monthly rental cost? This is open to abuse by tenants surely?"

"How are the agreements structured? Are there any other parties involved such as the energy supplier etc?"

"I would like to know how the cost of energy efficiency improvements and savings are split between the renters and landlords. What types of properties are eligible for GRAs?"

Homeowner

"I would like to know exactly how they are going to work. So if they paid £1200 anyway in bills, how realistically is the landlord going to save with increasing energy prices and also the large initial investments for improvements?"

"I need more info on how landlords can package the cost of improvements to tenants."

"Is it really as beneficial to both landlord and tenant as its being made out to be in this project? Its sounds fantastic."

"I'm interested to know which agency would regulate these agreements."

"I'd like to know about the protections the gov are planning to put in place to avoid inflating the rental price index."

"What are the hidden pitfalls? There will be hidden fees and conditions used by unscrupulous landlords unless the rules for them are extremely strict from day one."

"How are the tenant's energy bills reduced by this scheme on day to day terms? Do they actually pay less per kWh than someone who is NOT on the scheme - or are their bills merely averaged over a year to prevent winter spikes?"

"How exactly does it work in terms of tenants receiving the fixed warm rent cost, are landlords forced to do this?"

Homeowners

Homebuyers

Landlords

Property Linked Finance.



Overview of Property Linked Finance.

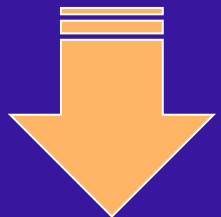


DRIVERS

Finance being attached to the property allows for flexibility

No up front costs and longer terms appeal to those looking for a manageable solution

BARRIERS



Some consumers doubt the value added by PLF with concerns about affordability and additional debt

Homeowners are concerned that PLF would affect the desirability of their property when they are looking to sell



Overview of Property Linked Finance.



"I would say that PLF is for **all homeowners** and especially young families on a tight budget."

"I hate feeling tied in so this is so appealing."

"I do like that you will be paying a far smaller amount over a longer time which will make the scheme far more accessible than others for a lot more people. "

"It definitely feels different but definitely good different. People could adapt to this seeing that it's both **feasible and logical.**"

" I think Property Linked Finance makes financing for energy efficiency **improvements or upgrades more accessible**, but I would categorize that as the main benefit I see."

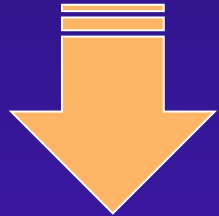
"It would make it **more affordable** to the current owner as the **upfront costs are a big consideration** and it can take a lot of years to recover the investment."

"The loan term can have a lengthy repayment period meaning lower monthly cost which in turn can make this more manageable."

"It's a good way of accessing cheap finance fast with environmental benefits."

Overview of Property Linked Finance.

BARRIERS



"Potential buyers could see this as a negative as it would **be a debt against the property.**"

"I have concerns how buyers would feel and how it would **affect their mortgage affordability.**"

"While this does seem like a good thing, I think it could **negatively affect the sale of the house** as new and potential buyers may not be familiar with the scheme and it could put them off! It needs to be better explained how the transfer of the costs takes place."

"I don't feel as if this is a good deal for people who buy homes. Because it's **an extra expense.**"

"I think PLF is for **mid life homeowners** who want low energy outgoings without paying upfront for improvements."

"As someone who needs double glazing it sounds great as would only need to pay for it while live there but **worry** about it how a buyer would feel about **having to pay for it.**"

"PLF **isn't for me** as I'm near retirement age and I don't expect to buy another property in my lifetime."

"I feel may be **harder to sell** as new owner may be put off especially as it is not a well known product."

"I would worry that in a slow housing market this would make my property **less desirable** to potential buyers."

Likelihood to use.

Likelihood to use **Property Linked Finance** is rooted in:

- **Alignment** with **long-term goals** to make energy efficient home improvements
- **Reduced cost burden** by spreading repayments over time
- Finance running with the land

However, lower likelihood to use PLF is rooted in:

- **Unfamiliarity** with the finance solution
- **Aversion to long-term** financial commitments
- Concerns that PLF would impact the local housing market
- **Opposition** to the idea of the next owner paying for upgrades they did not choose.

"I love the fact it can be paid off longer term and that it stays with the property. It's also safe in the sense of your circumstances changing which I think is security for anyone these days. I think this is particularly useful for the higher cost upgrades I'd be keen on (heat pump, windows etc.) As it spreads the high cost over a longer period, allowing the chance to see savings quicker."

Homeowner

"I think the long term goals are the same to get a more energy efficient home and to reduce the cost burden over a period of time and the idea that this is attached to the property rather than just me is positive."

Homebuyer

"I don't think I'd like to have another lifelong loan."

Homebuyer

"I feel this type of loan would be the best as not only the present owner repaying and it can be passed to the next owner."

Landlord

"I am genuinely very much against this product. I'd never expect the next owner of my property to pay for upgrades that I have selected and chosen and deemed necessary."

Landlord

"There are too many unknowns regarding details of the scheme and if it will be accepted in the Scottish housing market."

Homeowner

"I would be hesitant to use this on a home I'm likely to be selling in a few months as I would want to maximise the cost of the home - we don't know how potential property buyers will view the loan being attached to the house, it could have a negative impact?"

Homeowner

PLF is a flexible and manageable finance option.

THE FINANCE BEING ATTACHED TO THE PROPERTY ALLOWS FOR FLEXIBILITY

Knowing that the finance would be linked to the property feels like less of a commitment than a mortgage.

NO UP FRONT COSTS AND LONGER TERMS APPEAL TO THOSE LOOKING FOR A MANAGEABLE SOLUTION

This is made more appealing by the function of 'no up front costs' which helped ease Scottish consumers concerns around the cost of green home improvements.

This is particularly appealing to consumers who are more debt-averse, in particular, younger lower-income families

"I would say that PLF is for all homeowners and especially young families on a tight budget."

Homeowner

"It would make it **more affordable** to the current owner as the **upfront costs are a big consideration** and it can take a lot of years to recover the investment."

Homebuyer

"It's a good way of accessing cheap finance fast with environmental benefits."

Homebuyer

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Homeowner

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Homebuyer

"The loan term can have a lengthy repayment period meaning lower monthly cost which in turn can make this more manageable."

Homebuyer

"It definitely feels different but definitely good different. People could adapt to this seeing that it's both feasible and logical."

Homeowner

Consumers are concerned about a **negative impact** on buying and selling.

SOME CONSUMERS DOUBT THE VALUE ADDED BY PLF WITH CONCERNS ABOUT AFFORDABILITY AND ADDITIONAL DEBT

Homebuyers need reassurance around how PLF may impact their mortgage affordability.

The additional debt they would be taking on is also unappealing for those who are working to save up for a deposit and moving costs.

In addition, consumers questioned the impact of PLF on the selling process as it may force homebuyers to take on additional debt if they had limited housing options.

"I don't feel as if this is a good deal for people who buy homes . Because it's an extra expense."

Homebuyer

"Potential buyers could see this as a negative as it would be a debt against the property."

Landlord

"I think PLF is for mid life homeowners who want low energy outgoings without paying upfront for improvements."

Homebuyer

"I have concerns how buyers would feel and how it would affect their mortgage affordability"

Homebuyer

"PLF isn't for me as I'm near retirement age and I don't expect to buy another property in my lifetime."

Homeowner

HOMEOWNERS ARE CONCERNED THAT PLF WOULD AFFECT THE DESIRABILITY OF THEIR PROPERTY WHEN THEY ARE LOOKING TO SELL

This was seen to be particularly impactful if the outstanding repayment period was longer-term, with homeowners concerned that it would deter potential buyers from considering their home.

To compound this, homeowners are unclear how improvements made via Property Linked Finance would impact the value of their home and are looking for tangible examples.

"I feel may be harder to sell as new owner may be put off especially as it is not a well known product."

Homeowner

"As someone who needs double glazing it sounds great as would only need to pay for it while live there but worry about it how a buyer would feel about having to pay for it."

Homeowner

"While **this does seem like a good thing**, I think it could **negatively affect the sale of the house** as new and potential buyers may not be familiar with the scheme and it could put them off! It needs to be better explained how the transfer of the costs takes place."

Homeowner

"I would worry that in a slow housing market this would make my property less desirable to potential buyers."

Homeowner

Solving language issues.

Overall, PLF is being conflated with a mortgage – Some Scottish consumers are likening PLF to a mortgage due to both having longer-terms and are assuming that it would be provided to them by a mortgage broker.

'Non accelerating' - the language describing this mechanism was overly complex, making it difficult for consumers to delineate how PLF differed and what people would owe in the event of non-payment.

These language issues were addressed in the design of the research stimulus at the quantitative stage.

Property Linked Finance (PLF)

PLF is a potential new solution for the UK market. It refers to long-term affordable home finance solutions that are **linked to the property, rather than the property owner**. PLF can fund up to 100% of the upfront costs of projects that improve the environmental performance of a property including:



Installation of low carbon technologies



Increased energy efficiency



Enhanced climate resiliency measures

KEY FEATURES

PLF has several unique features that are not available from existing financial products, including:

Runs with the land

- 'Running with the land' means that the PLF payment obligation is *attached* to the property so it stays with the property, even if it's sold to someone else.
- This means whoever owns the property and is currently benefitting from the environmental improvement measures, is also paying for them.

Non-Accelerating

- This refers to the mortgage lender declaring that the outstanding balance of a loan must be repaid early, in the event of a loan default.
- PLF is designed as a **non-accelerating form of finance**, which means that in the event of non-payment, you are only liable to pay back what you currently owe - being any missed payments and not future payments - rather than the total remaining loan balance.

KEY BENEFITS

Property owners can upgrade their homes without having to pay the costs upfront.

- The PLF loan term length is determined by the lifetime of the home improvements; therefore, homeowners can spread the cost of energy efficient and/or climate resiliency improvements over a long period (tends to be 20-30 years) meaning lower monthly costs.
- PLF is 'non-accelerating' meaning if the owner defaults on the payments they do not have to pay back the entire loan and are only liable to pay back what you currently owe being the missed payments.
- Under PLF, as the property has already been upgraded, a new owner who buys the home benefits from these improvements e.g. a warmer, more comfortable property which may offer savings on your energy bills or could be more resilient to flooding.

Key issues to solve.



INTEREST RATES AND REPAYMENTS

Scottish consumers want clarity on the financial workings of PLF with specific questions on interest rates and repayment schedules and calculation.

- Will interest rates be fixed?
- How would the repayments be structured (including would they be index-linked to inflation and how the costs would diminish as the improvements age?)
- How would the age of improvements impact repayments?



RISK AND AFFORDABILITY

Scottish consumers want to understand what the implications are of PLF at all stages of the process, at buying, default, and selling.

- How is PLF factored into the financial affordability assessment?
- What happens if the borrower defaults?
- Who would regulate Property Linked Finance and ensure that it is being used responsibly by homeowners?
- How would terms and rates of the finance take into account that a homeowner may sell in the future?



ELIGIBLE IMPROVEMENTS

Scottish consumer want to know what PLF can be used for and how improvements made via PLF directly impact the value of their home.

- What green home improvements are included?
- How would improvements made via PLF increase the value of my home?

Increasing confidence in Property Linked Finance.

So just to be clear: new windows carry a 25 yr repayment period. So I install new windows for £10k and start paying, say, £30 per month to cover the 25 yr PLF. I pay that for, say, 10 years then sell the property. Presumably then the o/s 15 yrs at £30 / month passes as a financial obligation to the new owner. He's paying the same as the previous owner for windows that are already 10 yrs old. By the end of the scheme (15 yrs on) the windows will need replacing again. Presumably there's some sort of 'sliding scale' whereby takeovers from subsequent owners reduce in price - or something. I could anticipate people being put off buying a property attached to a PLF scheme.

Landlord

"I would wonder how this fits in in terms of valuation of a home that has used this, as I guess there may be risk of paying twice if you buy a home that has PLF and then inherit the repayments too?"

Homebuyer

"I suppose one thing I'd wonder is whether the improvements from part of the valuation of the property and how this works in terms of then taking on additional costs? I.e. would the new improvements be excluded from the valuations in these circumstances as the individual would be expected to finish paying it off."

Homeowner

"I don't understand. If someone defaults then they don't pay it anyway. Do you mean that if anyone can't afford to meet their mortgage, the PLF is effectively cancelled?"

Homeowner

"As it's an improvement that saves whoever owns the home money. I would wonder how this fits in in terms of valuation of a home that has used this, as I guess there may be risk of paying twice if you buy a home that has PLF and then inherit the repayments too?"

Homebuyer

Summary.



In summary...



THERE ARE SIGNIFICANT BARRIERS surrounding green home improvements that will need addressing through education of the Scottish public on:

- Government legislation, how it impacts them and the rationale behind it
- The implementation of green home improvements
- The cost of green home improvements
- The role of financial providers and financial solutions when it comes to green home improvements



KNOWLEDGE BUILDING AND ALLEVIATING OF CONCERNS is a vital step and will need to happen before the Scottish public are presented with green home finance options.



BUILDING CONFIDENCE AND TRUST in Green Home Finance products requires presenting consumers with clear and transparent information on:

- How they solutions work
- How they are regulated
- The tangible and long-term cost and energy saving benefits

Recommendations: For each solution.



Green Mortgages

- Increase understanding of how Green Mortgages can be used across different building types (i.e. listed, older, heritage)
- Consumers need further information on why Green Mortgages can be a flexible, convenient option for retrofitting and not just homebuying
- Emphasise the inclusive/accessible nature of Green Mortgages so that they aren't viewed as a value-alignment product only for those who support green initiatives.
- More closely align Green Mortgages as a solution to aid meeting government EPC rating requirements, particularly for Homeowners and Landlords who already feel they are making frequent improvements.



Unsecured Green Home Loans

- Reframe the benefits of shorter term borrowing to alleviate concerns of more risk and debt averse consumers.
- Increase understanding of the types of improvements that can be made (big and small) along with approximate monthly payments to help consumers make a decision with a tangible repayment schedule.
- Build trust in the mechanism of the lender-supplier-borrower relationship for point-of-sale finance.
- Promote the benefits of an unsecured loan compared to saving up money via the tangible, well-received benefit of 0% or lower interest rates.

Recommendations: For each solution.



Green Rental Agreement (GRAs)

- Reframe the tenants 'role' surrounding GRAs so that it is clear that they would be making the decision to sign for a rental property with a GRA themselves during a normal rental property search.
- Communicate transparently to both landlords and tenants that a Green Rental Agreement is to help landlords bring rental properties across Scotland to a higher standard. Align this clear message for tenants around the mitigation of energy spikes and unpredictable bills, whilst making it clear that this is a 'bills-included' style arrangement.
- Alleviate concern around the impact of EPC rating requirements on the rental property market by positioning GRAs as one of many options for landlords.



Property Linked Finance (PLF)

- Emphasise the separation of PLF from a mortgage to ensure clarity amongst consumers.
- Alleviate concern and boost knowledge around the role of PLF at the buying/selling stage.
- Reframe 'affordability' by giving consumers tangible cost and long-term benefits of PLF in terms of the improvements that can be made and how this may add value to your home.

Scotland Consumer Research – Green Home Finance Products

December 2025

Quantitative Research

Contents.

1. Key insights
2. Background
3. Experience and motivations towards Green Home Improvements
4. Understanding attitudes
5. Green Home Finance Solutions
 - a) Green Mortgages
 - b) Unsecured Green Home Loans
 - c) Green Rental Agreements
 - d) Property Linked Finance
6. Recommendations
7. Market sizing

Key Insights



Key Insights: Scottish Consumers.



THERE IS A LARGE CATEGORY OPPORTUNITY IN SCOTLAND to leverage high awareness and consideration of green home improvements to encourage take-up of green home finance solutions.

Rooted in top motivations of reduced energy bills and increased energy efficiency, awareness of green home improvements is high for the majority of improvements and so is consideration, showing strong appetite amongst Scottish consumers towards green home improvements.



However, Scottish consumers are UNCERTAIN ABOUT TAKING ON DEBT to make green improvements.

Scottish consumers have a strong preference to self-finance 'green' home improvements using savings (40%). However, only 23% would borrow money from a financial provider to make improvements, showing that the majority of consumers have a low debt appetite.

Compounding this uncertainty, 1 in 4 are unsure how they would pay (26%), suggesting that there is work to be done to increase consumer confidence surrounding financing.



SCOTTISH CONSUMERS CAN BE SEGMENTED INTO FOUR DISTINCT GROUPS - all of which approach green home finance solutions differently.

This analysis identified four clear attitudinal clusters, based on an assessment of confidence, literacy, openness, capability and support for government plans:

- > **Pioneers (35%)**
- > **Resistors (22%)**
- > **Aspirants (28%)**
- > **Landlords (15%)**



There is a STRONG CORRELATION BETWEEN STANCE ON GOVERNMENT PLANS and SENTIMENT TOWARDS GREEN HOME FINANCE SOLUTIONS

Positive sentiment towards the government net zero plans is strongly correlated with positive sentiment towards the green home finance solutions. This also applies to negative sentiment.

Key Insights: The Solutions.



BUILD CONFIDENCE BY FACILITATING CONSUMERS' CAPABILITY AND AWARENESS surrounding their finances, financial products and green home improvements is a vital step to finance solution take-up

Scottish consumers with stronger financial confidence, financial product knowledge and capability to make green home improvements have a wider range of motivations to make green home improvements, making them more amenable to the upgrades and GFI's finance solutions.



RELEVANCE, APPEAL AND INNOVATION CAN BE LEVERAGED to increase take-up of each finance solution

For each of the solutions, we found a very strong relationship, between its **relevance, innovation** and **appealing** with the respondent's '**appetite**' or likelihood to use. Three elements that can be leveraged in messaging about the solutions.



However, UNCERTAINTY and UNFAMILIARITY is impacting take up of solutions for some audiences

Residents with less financial knowledge and confidence are struggling to understand some of the financial products. Additionally, those who are less certain about taking on debt are also struggling to resonate with financial products, despite lower interest rates or no up front costs.



MARKET SIZING shows there are SIGNIFICANT OPPORTUNITIES in Scotland

The potential size of the green home finance market in Scotland is substantial.

Key Insights: Per Solution.



GREEN MORTGAGES

50% of Scottish residents would use to buy a greener home.

49% of Scottish residents would use to make green home improvements

Overall, Green Mortgages are well aligned with those who are supportive of the government's plans and are seeing strong appetite amongst First Time Buyers.

However, resistant homeowners are showing low appetite to use a Green Mortgage to make green home improvements.



UNSECURED GREEN HOME LOANS

40% of Scottish residents would use an unsecured green home loan, driven by shorter terms, consumer protections and 0% interest rates for open segments.

Overall, those with a stronger debt appetite are driving take up of this product.

However, residents with lower financial literacy and green home improvement capability are struggling to understand the product.



GREEN RENTAL AGREEMENTS

69% of Private Tenants and **61%** of Landlords have appetite for Green Rental Agreements.

The finance solution appears to be effectively addressing the split incentive dynamic with Private Tenants recognising the importance of energy bill reduction and Landlords recognising the importance of recovering costs of improvements.



PROPERTY LINKED FINANCE

43% of Residents and Landlords would use Property Linked Finance.

Perceptions of flexibility and ease are driving likelihood whilst debt aversion and unfamiliarity is driving lower likelihood.

A lack of understanding of the product is also aggravating one consumer segment who are already struggling with lower financial knowledge and confidence.

Background



Background.

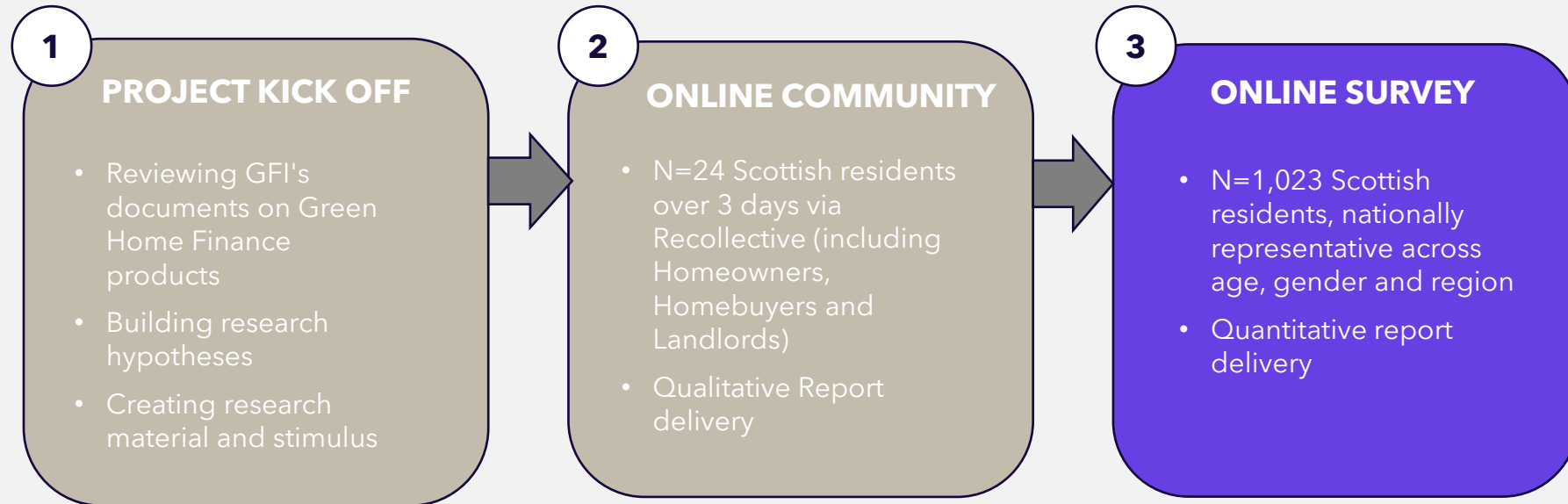
GFI are seeking a comprehensive understanding of Scottish consumers' attitudes towards green home finance solutions and PLF, and an in-depth look at what factors will drive trust and confidence in these solutions amongst the Scottish public.

This report summarises insights and findings from the quantitative research and meets the following objectives that were set for this second tranche of research:

- Exploring what gives consumers confidence and trust in a green home finance solutions and how to improve their experience
- Size consumers' attitudes towards the Scottish governments' energy efficiency ambitions and targets and how the governments positioning influences consumers views on energy efficient home improvements and green home finance products.
- Exploring the appeal and understanding of the green home finance solutions in Scotland
- Understanding how consumers would expect PLF to impact the buying and selling process and identify any potential barriers to overcome.
- Identity awareness and comprehension of green home finance solutions and PLF.
- Size attitudes and drivers towards the Scotland's government's energy efficiency ambitions
- Size appetite and the market for each individual green home finance solution product and PLF, compared to alternative finance solutions, including motivations and barriers that impact this appetite.



Project Overview.



Methodology.

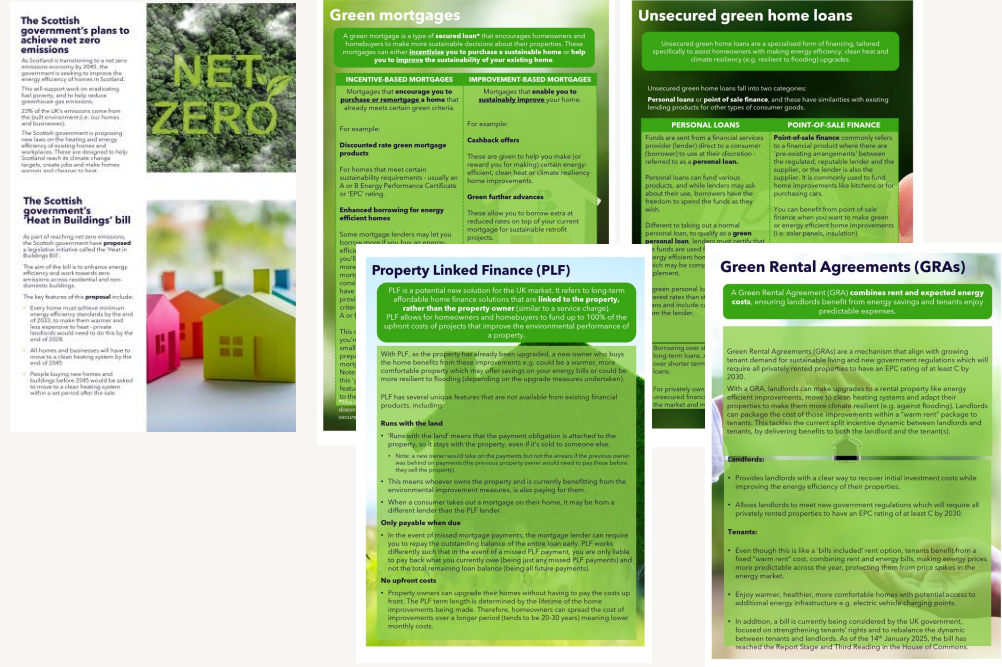


12-minute online survey with n=1,023 Scottish Residents and Landlords

Fieldwork dates: 23rd January – 3rd February 2025

Nationally representative across age, gender and region with weighting applied to ensure tenure representation.

Note: As Landlords only make up ca. 6% of Scotland's population, collection was natural fallout for this group.



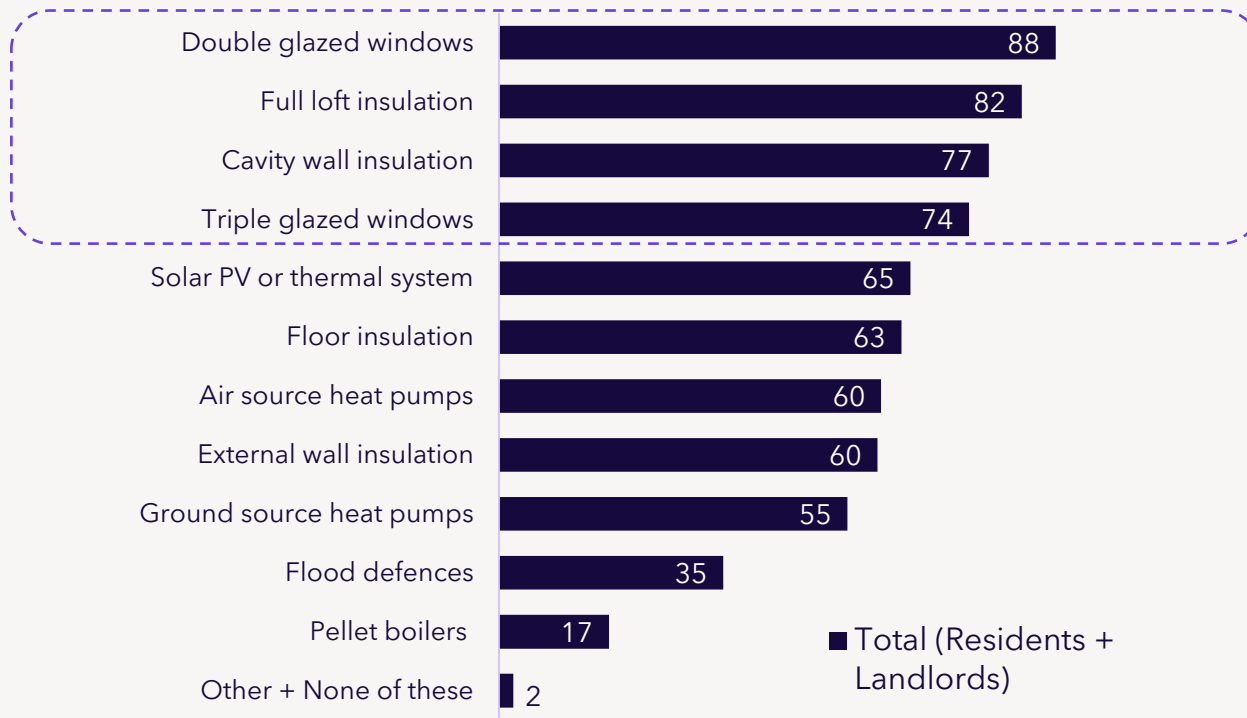
Stimulus was shown to every respondent during the survey. One detailing the Scottish government's net zero targets, and four other pieces on each of the green home finance solutions. All stimulus tested went through a review and amendment stage based on Scottish consumers feedback during the qualitative stage of research before it was updated to show in the survey.

Experience and motivations towards Green Home Improvements



Scottish consumers have high awareness of green home improvements.

WHICH OF THE FOLLOWING GREEN HOME IMPROVEMENTS ARE YOU AWARE OF? %



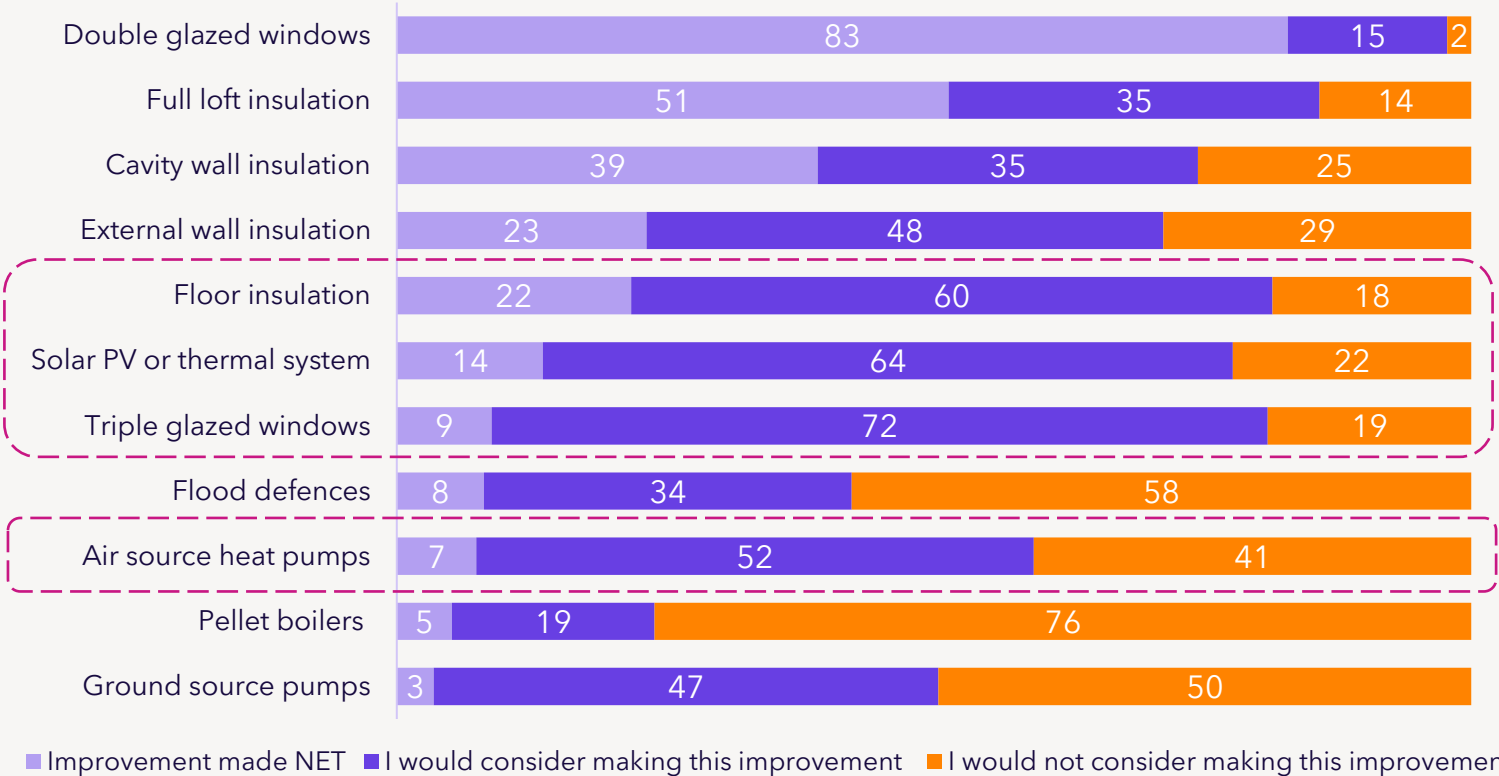
During analysis we identified Landlords to be a distinct 'B2B' orientated population, separate from Renters and Homeowners which we have combined in the output as 'Residents'.

- Within residents, **Homeowners** drive awareness of green home improvements compared to **Renters**.
- Surprisingly, **Landlords** report significantly lower awareness than Homeowners of the top four known improvements.
- Awareness of more niche solutions such as ground source heat pumps, flood defences and pellet boilers are lower across all core audiences.
- Triple glazed windows awareness is high but installed base is low (only 9%).
- Relevance is also a factor. Flood defences for example won't be on the radar for everyone.

Low instalment rates and high demand reveal a major opportunity.

EXPERIENCES WITH GREEN HOME IMPROVEMENTS (Total - Residents + Landlords)

Amongst those who are aware of each green home improvement



- For the **top four green home improvements being considered**, **Renters** are the strongest considerers. However, they are less likely to already have these upgrades in their homes.
- Homeowners** already have double glazed windows (88%), full loft insulation (59%) and cavity wall insulation (43%).
- Landlords** already have full loft insulation (60%) and cavity wall insulation (53%) installed.

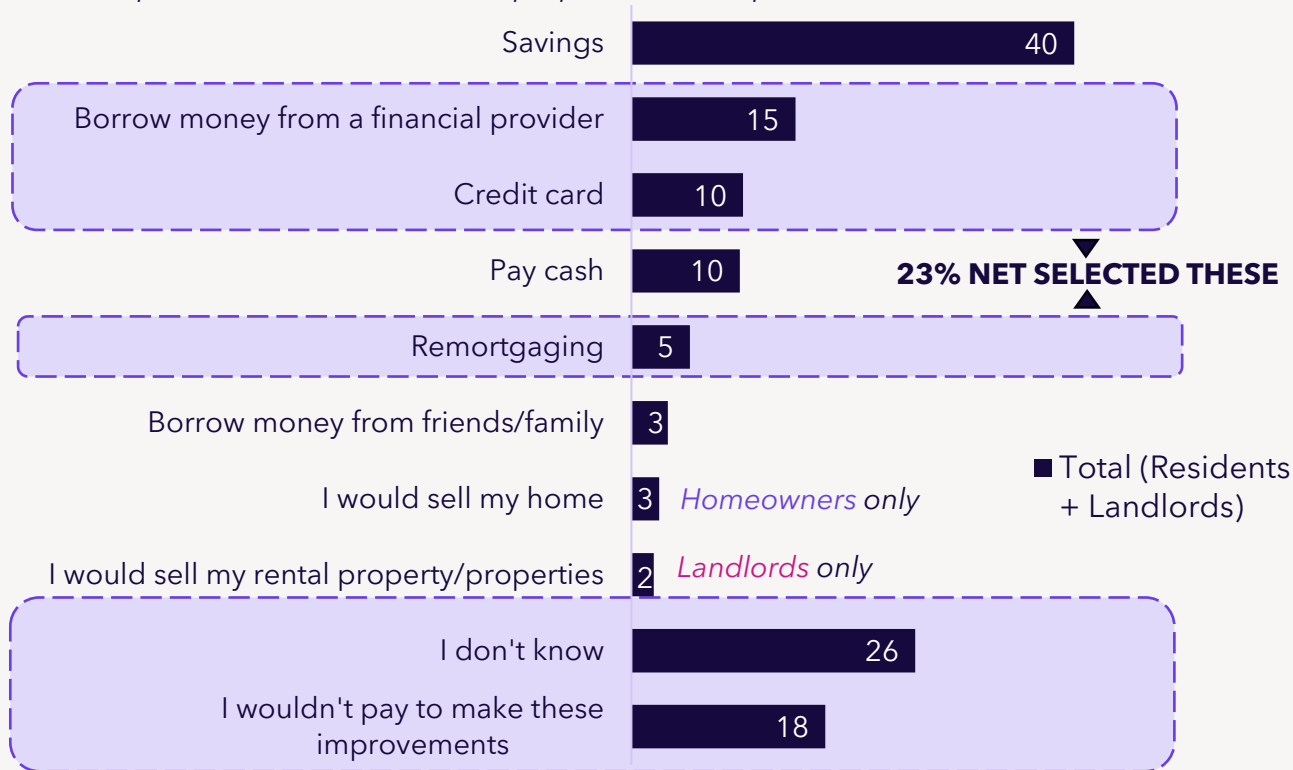
Source: Scottish Consumers Survey. A3. Tell us about your experiences with the green home improvements below. A3b_RENTERS. Hypothetically if you owned the property you are currently living in, tell us about your experiences with the green home improvements below. A3c_LANDLORDS. Tell us about your experiences with the home green home improvements below in relation to the property or properties you rent out to private tenants. Base: Aware of double glazed windows n=893, Aware of triple glazed windows n=746, Aware of air source heat pumps n=605, Aware of ground source pumps n=548, Aware of pellet boilers n=173, Aware of Solar PV or thermal system n=661, Aware of full loft insulation n=832, Aware of cavity wall insulation n=777, Aware of external wall insulation n=603, Aware of floor insulation n=645, Aware of flood defences n=356

Clear need for finance solutions to reach EPC band C+.

HOW WOULD YOU PAY TO MAKE GREEN HOME IMPROVEMENTS? (Total - Residents + Landlords)

Amongst those with an EPC rating of D or lower or 'Don't know' what their EPC rating is.

N.B. the question was multichoice, so proportions add up to more than 100.

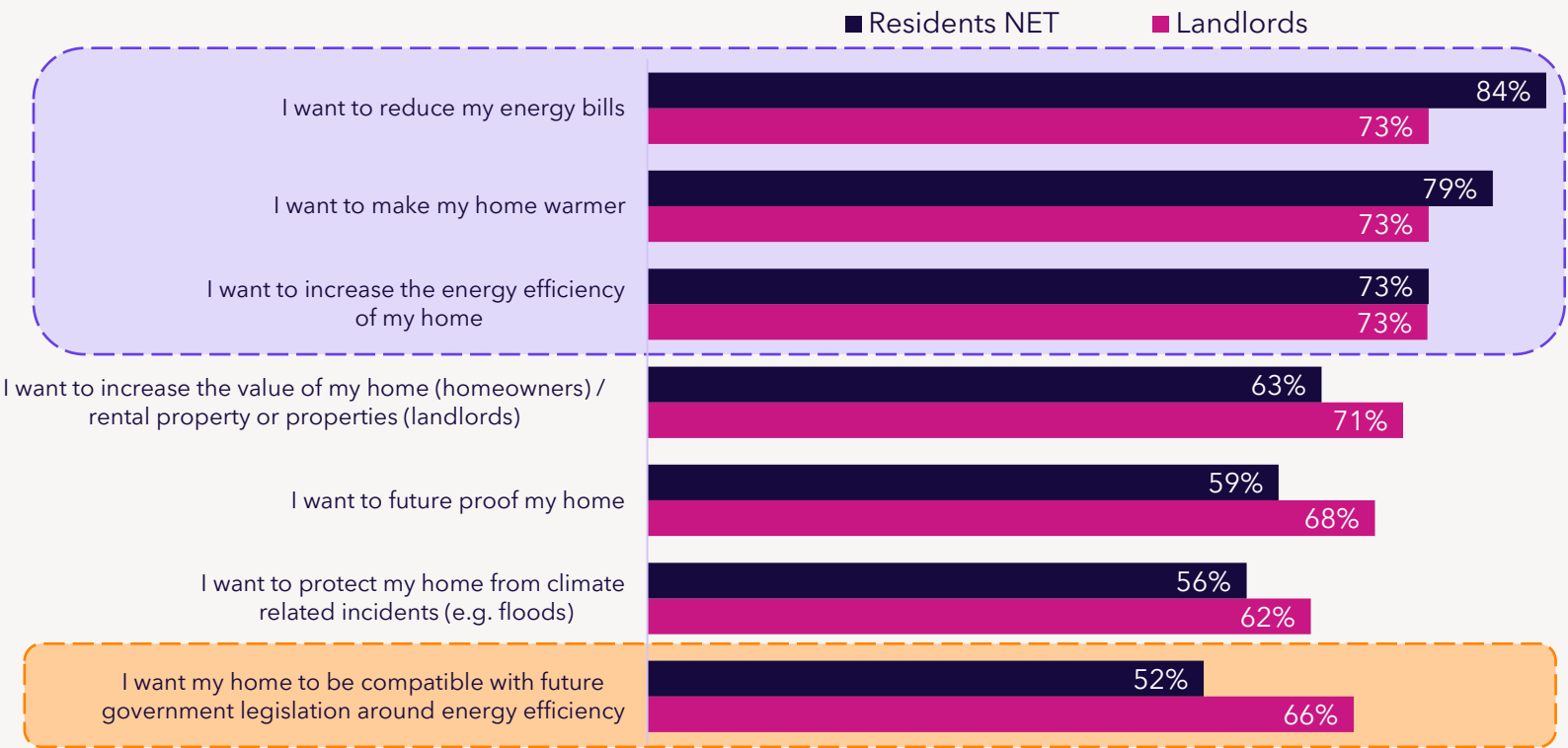


- For those people living in or renting out properties that are currently below the required EPC standard of C, self-financing through savings (40%) is the frequently selected payment method.
- Of interest to GFI are the quarter (23%) who would borrow as well as the large proportion who are either unsure (26%) how to finance necessary energy improvements or are unwilling to pay for them outright (18%).
- The Green Home Finance Solutions address a critical funding gap.
- Renters (33%) and Landlords (34%) have the strongest debt appetite, compared to 16% of Homeowners.

Personal benefits drive green home improvements: lower bills and comfort top motivators.

HOW MUCH DOES EACH MOTIVATE YOU TO MAKE GREEN HOME IMPROVEMENTS?

(% is quite motivating + very motivating to make green home improvements)



- Across the board, the primary motivators for making green home improvements are personal benefits i.e. lower bills and comfort.
- **Renters** are significantly more motivated by wanting to reduce their energy bills than homeowners.
- **Landlord's** motivations are more difficult to differentiate, though the top three remain the same as for residents.
- There is big gap between Landlords and Residents on compatibility with future government legislation.

Understanding attitudes

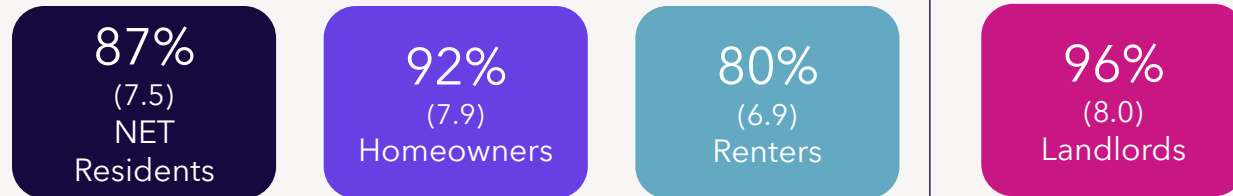


Homeowners and landlords lead in financial confidence and knowledge.

HOW **CONFIDENT** ARE YOU ABOUT MANAGING YOUR MONEY AND FINANCES?

(6 - 10 NET %)

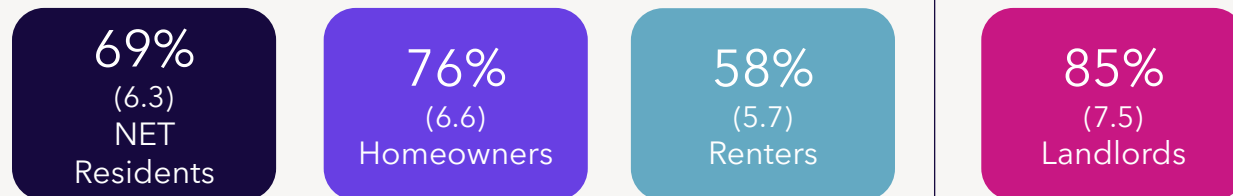
(average score / 10)



HOW **KNOWLEDGEABLE** WOULD YOU SAY YOU ARE ABOUT FINANCIAL PRODUCTS?

(6 - 10 NET %)

(average score / 10)



Throughout the survey, where we have 0 - 10 scale questions, we have calculated both the proportion scoring 6 to 10 (representing the presence of an attitude) as well as the average (mean) score out of 10. Calculating this score also allows us to also make a judgement about the intensity of that attitude.

For example, 96% of landlords have scored between 6 & 10, and can be classed as confident, but to varying degrees. Their mean score of 8/10 indicates their average confidence.



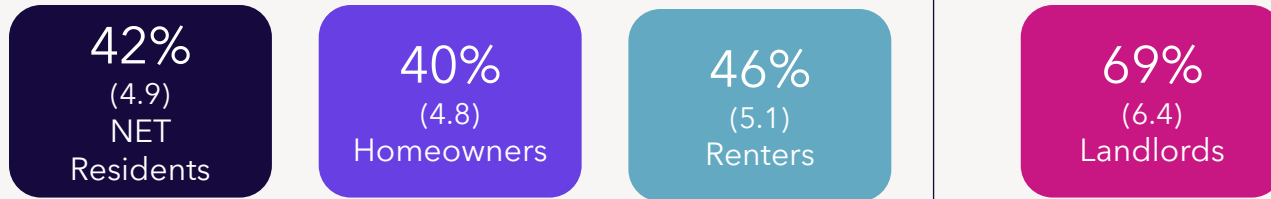
- Homeowners and Landlords' higher knowledge is likely driven by their experiences i.e. they are more likely to have been through the mortgage process and tend to be older groups.

Green improvement support is required, particularly for residents.

CAPABILITY: HOW STRAIGHT FORWARD WOULD IT BE FOR YOU TO MAKE GREEN HOME IMPROVEMENTS?

(6 - 10 NET %)

(average score / 10)



OPENNESS: HOW OPEN ARE YOU TO MAKING GREEN HOME IMPROVEMENTS?

(6 - 10 NET %)

(average score / 10)



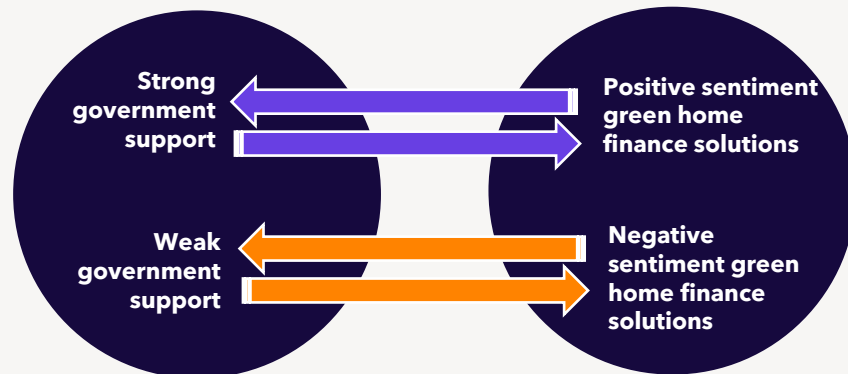
- Residents, both renters and homeowners, report that they would not find it straightforward to make green home improvements with fewer than half scoring their capability as 6 or more.
- Landlords report higher capability than residents but, it is lower than confidence, knowledge and openness, so even they can be said to have reservations.
- Linked to this capability issue is that only 44% of Scottish residents know the EPC rating of their homes. However, 98% of landlords know.
- Reassuringly, similar majorities across the survey are open to making green home improvements.

Note: Awareness of EPC ratings were too low to use for market sizing. Therefore, we have used market data on EPC ratings.

Government support and green home finance solution sentiment is strongly correlated.

To answer a key question posed by GFI, a correlation analysis was conducted to test the strength of the relationship between sentiment towards the governments' plans and sentiment towards green home finance solutions.

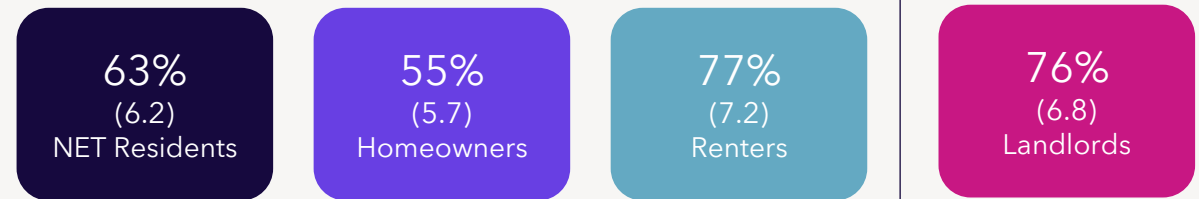
The correlation results showed that the relationship is very strong statistically.



HOW SUPPORTIVE ARE YOU OF THE SCOTTISH GOVERNMENT'S NET ZERO GOALS?

(6 - 10 NET %)

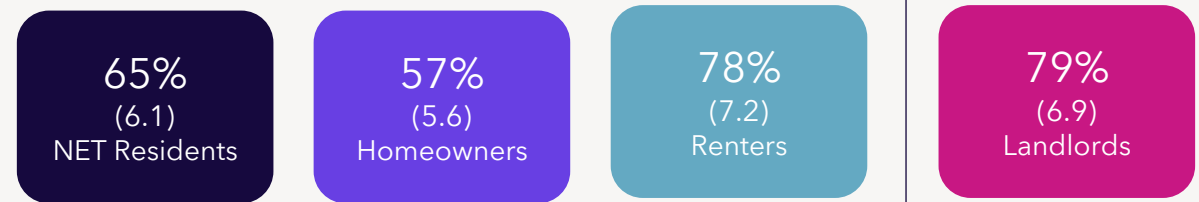
(average score / 10)



HOW DO YOU FEEL ABOUT PRODUCTS LIKE THIS WHICH AIM TO HELP PEOPLE MAKE GREEN HOME IMPROVEMENTS?

(6 - 10 NET %)

(average score / 10)

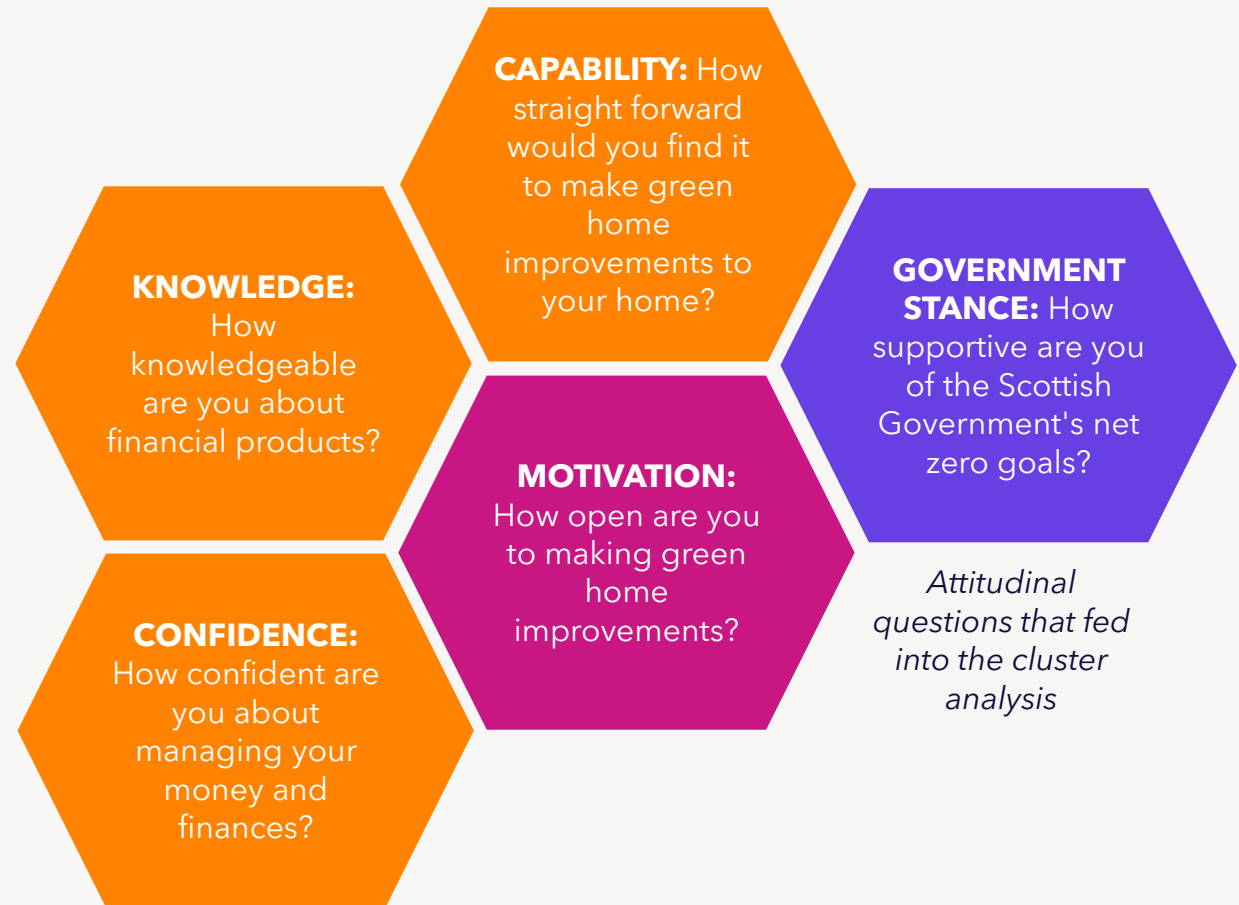


Attitudinal interactions.

During analysis of the key attitudinal metrics that speak to the motivations and considerations Scottish residents make surrounding their finances and the making of green home improvements, it became clear that there were many subgroups within our sample, reflective of Scotland's population.

To help gain deeper understanding of Scottish residents, we performed a cluster analysis based on the attitudes of **Homeowners** and **Renters** to understand what distinct segments exist within this population.

Landlords we kept as a separate segment that sits outside of the cluster analysis as they were already a very distinct sub-group with more clearly defined attitudes.



Scottish homeowners and renters have three distinct attitudinal segments.

ATTITUDINAL ANALYSIS OF SCOTTISH RESIDENTS AND LANDLORDS

(6 - 10 NET %)

(average score / 10)

Attitudes	Total Residents	Pioneers (35%) n=364	Resistors (22%) n=217	Aspirants (28%) n=288	Landlords (15%) N=154
CONFIDENCE: in managing about money and finances	87%	98%	94%	67%	96%
	7.5	8.3	8.1	6.1	8.0
KNOWLEDGE: about financial products	69%	90%	82%	31%	85%
	6.3	7.3	6.9	4.3	7.5
CAPABILITY: How straight forward would you find it to make green home improvements?	42%	80%	17%	13%	69%
	4.9	6.8	3.6	3.5	6.4
OPENNESS: How open are you to making green home improvements?	78%	97%	47%	79%	84%
	7.1	8.3	5.1	7.1	7.5
GOVERNMENT STANCE: Support of Scottish government's net zero goals	63%	90%	7%	76%	76%
	6.2	7.7	2.9	7.0	6.8



- **Pioneers** have high scores across the board and are strong supporters of the government plans.
- **Resistors** have low capability, lower openness and are extremely opposed to the Government plans despite high confidence and higher knowledge.
- **Aspirants**, despite lower confidence, low knowledge, and very low capability, are open to green home improvements and are supporters of the government plans.

Source: Scottish Consumers Survey.

Base: Total Respondents n=1023, Pioneers n=364, Resistors n=217, Aspirants n=288, Landlords n=154

Higher than the average

Lower than the average

Scottish consumer segments.



Pioneers

(Residents - 35%)
n=364

- Median age = 50
- Male (54%) Female (46%)
- 54% of this group **prefer to use savings** to make green home improvements
- **60%** of these people don't know what their EPC rating is

62% are Homeowners (of which 34% are Homebuyers)



Resistors

(Residents - 22%)
n=217

- Median age = 60
- Male (47%) Female (53%)
- 40% of this group **would not pay** to make green home improvements
- **75%** of these people don't know what their EPC rating is

82% are Homeowners (of which 66% own outright)



Aspirants

(Residents - 28%)
n=288

- Median age = 44
- Male (38%) Female (62%)
- 34% of this group **don't know how they would pay** to make green home improvements
- **67%** of these people don't know what their EPC rating is

51% are Renters (of which 68% are first time buyers)



Scottish Landlords

(Landlords - 15%)
n=154

- Median age = 39
- Male (60%) Female (40%)
- 47% of this group **prefer to use savings** to make green home improvements
- **2%** of these people don't know what their EPC rating is in their lowest EPC rental property

High-capability pioneers report more diverse motivations for green home improvements.

HOW MUCH DOES EACH MOTIVATE YOU TO MAKE GREEN HOME IMPROVEMENTS?

(% is quite motivating + very motivating to make green home improvements)

Motivations (% is quite motivating + very motivating to make green home improvements)	Total (Residents + Landlords)	Pioneers (35%) N=364	Resistors (22%) N=217	Aspirants (28%) N=288	Landlords (15%) N=154
I want to reduce my energy bills	83%	91%	68%	89%	73%
I want to make my home warmer	78%	86%	62%	84%	73%
I want to increase the energy efficiency of my home	73%	85%	50%	76%	73%
I want to increase the value of my home (homeowners) / value of my rental property or properties (landlords)	63%	72%	51%	65%	71%
I want to future proof my home	60%	72%	33%	63%	68%
I want to protect my home from climate related incidents (e.g. floods)	56%	68%	35%	56%	62%
I want my home to be compatible with future government legislation around energy efficiency	55%	68%	29%	51%	66%



- Across the board, the primary motivators for making green home improvements remain personal benefits i.e. lower bills and comfort.
- Though for **Resistors**, energy efficiency is on a par with increasing the value of their home.
- This makes sense given the high proportion of homeowners in this segment who own outright.
- The key differentiator between the segments is **capability**, with **Pioneers** having a much wider range of motivations for making green home improvements.

Source: Scottish Consumers Survey. A0. How much does each motivate you to make green home improvements?
Base: Total Respondents n=1023, Pioneers n=364, Resistors n=217, Aspirants n=288, Landlords n=154

Higher than the average
On par with the average
Lower than the average

Green Home Finance Solutions



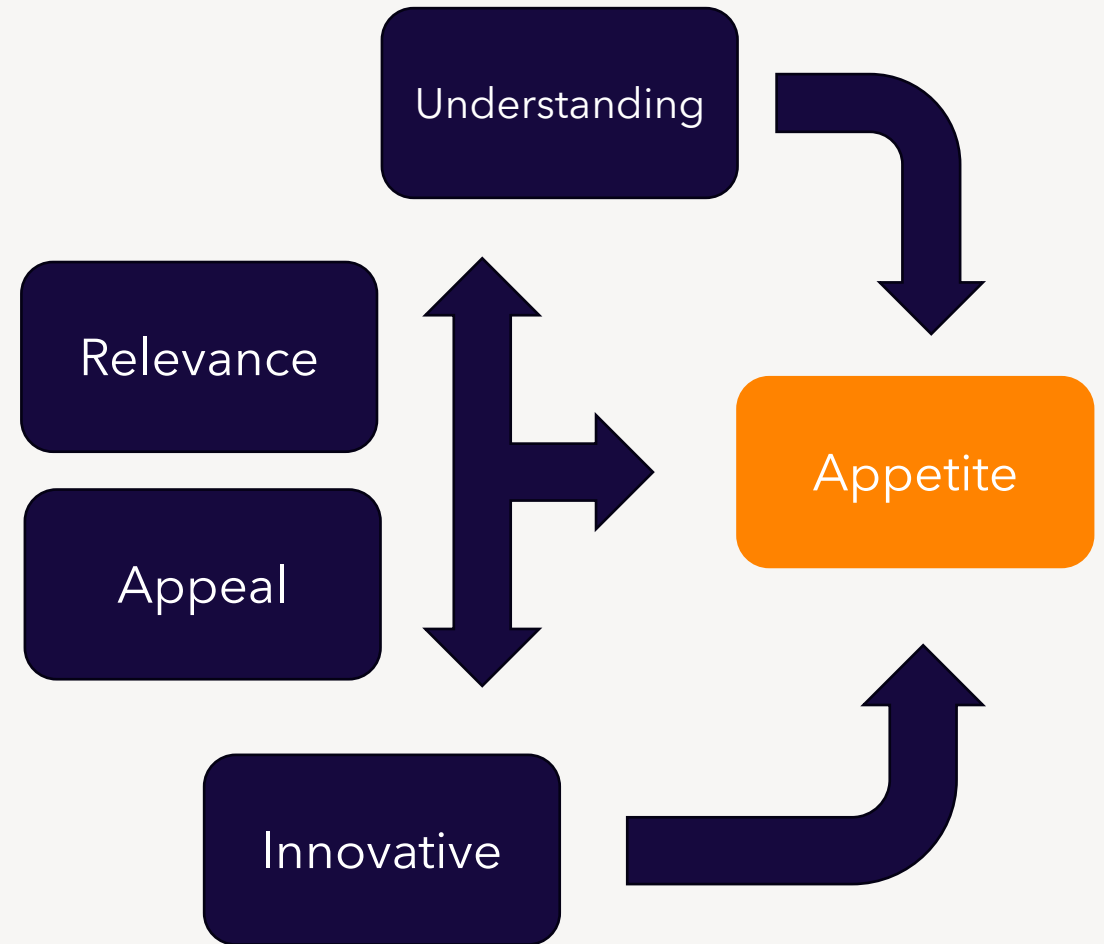
Relevance and appeal very strongly correlated with appetite for the solutions.

To understand what influences a respondent's **appetite**, we have carried out correlation analysis which tests for relationships between the attitudinal variables.

For each of the solutions, we found a very strong relationship, between how much the solution felt **relevant** and **appealing** with the respondent's '**appetite**' or likelihood to use.

How **innovative** respondents felt a product was also strongly related, important for messaging.

How well people **understood** the stimulus we provided was also related. Consumers with lower capability and knowledge had difficulties understanding more complex solutions.



Residents have the greatest appetite for GRAs and Green Mortgages.

Metric 6 – 10 NET Average scores (out of 10)	Green Mortgages		Unsecured Green Home Loans	Green Rental Agreements	Property Linked Finance
Likelihood to use	To buy: 50%	To make upgrades: 49%	36%	44%	39%
	4.9	5.0	4.1	5.2	4.3
Understanding	65%		62%	61%	61%
	6.2		6.0	6.0	6.0
Relevance	41%		37%	33%	39%
	4.4		4.4	3.7	4.4
Appeal	51%		45%	44%	47%
	5.3		4.8	4.8	4.9
Innovation	65%		53%	59%	62%
	6.2		5.5	5.9	6.1

Source: Scottish Consumers Survey. C2_How likely or unlikely are you to use [financial product]? C2_Please describe the financial product that you have just been shown using the scales below. Base: Residents n=869.

Landlords have strong appetite across all products.

Metric 6 - 10 NET Average scores (out of 10)	Green Mortgages		Unsecured Green Home Loans	Green Rental Agreements	Property Linked Finance
Likelihood to use	To buy: 67%	To make upgrades: 64%	60%	67%	67%
	6.0	6.1	5.8	6.1	6.1
Understanding	78%		77%	73%	80%
	7.0		7.0	6.7	7.0
Relevance	67%		69%	69%	65%
	6.3		6.2	6.4	6.2
Appeal	68%		69%	66%	69%
	6.3		6.4	6.3	6.4
Innovation	79%		72%	72%	76%
	7.1		6.7	6.9	7.1

Source: Scottish Consumers Survey. C2_How likely or unlikely are you to use [financial product]? C2_Please describe the financial product that you have just been shown using the scales below. Base: Landlords n=154

Green Mortgages



Overview of Green Mortgages.

GREEN MORTGAGES ALIGN WITH THOSE WHO ARE SUPPORTIVE OF THE GOVERNMENT'S PLANS: PIONEERS, ASPIRANTS AND LANDLORDS, PARTICULARLY FOR BUYING

FIRST TIME BUYERS ARE SHOWING STRONG APPETITE FOR GREEN MORTGAGES TO BUY A GREENER HOME

RESISTORS ARE UNLIKELY TO USE A GREEN MORTGAGE TO MAKE IMPROVEMENTS

A LACK OF VARIATION IN THE IMPORTANCE OF FEATURES SUGGESTS THAT FURTHER KNOWLEDGE BUILDING IS REQUIRED

Metric 6 - 10 NET Average scores (out of 10)	Green Mortgages (Residents)		Green Mortgages (Landlords)	
Likelihood to use	To buy: 50%	To make upgrades: 49%	To buy: 67%	To make upgrades: 64%
	4.9	5.0	6.0	6.1
Understanding	65%		78%	
	6.2		7.0	
Relevance	41%		67%	
	4.4		6.3	
Appeal	51%		68%	
	5.3		6.3	
Innovation	65%		79%	
	6.2		7.1	

Source: Scottish Consumers Survey. C2_How likely or unlikely are you to use [financial product]? C2_Please describe the financial product that you have just been shown using the scales below. Base: Residents n=869, Landlords n=154

Green Mortgages align with government plan supporters.

Metric 6 - 10 NET Average scores (out of 10)	Total (Residents + Landlords)	Residents			
		Pioneers	Resistors	Aspirants	Landlords
Likelihood to use to buy a greener home	52%	62%	21%	57%	67%
	5.1	5.8	2.6	5.6	6.0
Likelihood to use to make green home improvements	51%	63%	16%	56%	64%
	5.2	6.1	2.5	5.5	6.1
Understanding	67%	82%	52%	53%	78%
	6.3	7.0	5.5	5.6	7.0
Relevance	45%	55%	17%	42%	67%
	4.6	5.3	2.5	4.7	6.3
Appeal	54%	68%	20%	55%	68%
	5.4	6.4	3.0	5.7	6.3
Innovation	67%	80%	41%	66%	79%
	6.3	7.2	4.5	6.4	7.1



Pioneers, Aspirants and **Landlords** are driving take-up of Green Mortgages for both purposes.

Additionally, 83% of 'Resident First Time Buyers' say they are likely to use a Green Mortgage to buy a greener home.

Despite being a predominantly homeowner segment, only 16% of **Resistors** would use a Green Mortgage to make green home improvements. Their stance on government requirements will play a part here, but their understanding and relevance scores may also be driving down their take-up.

Aspirants are showing lower understanding of Green Mortgages too, indicating that there is more work to be done to increase comprehension amongst this lower capability segment.

Green Mortgage features show little variation within groups.

How important are the following features to you in relation to Green Mortgages?

(6 - 10 NET %) (Average Score / 10)

Metric 6 - 10 NET Average scores (out of 10)	Total (Residents + Landlords)	Residents			
		Pioneers	Resistors	Aspirants	Landlords
enable homeowners to spread the cost of green home improvements over a longer term	74%	87%	46%	78%	81%
	6.7	7.6	4.7	7.1	7.1
help homeowners to improve the sustainability of an existing home	74%	86%	43%	79%	83%
	6.7	7.5	4.5	7.2	7.2
offer discounted rates on homes with EPC ratings of A or B	71%	85%	41%	74%	77%
	6.6	7.5	4.5	6.9	7.0
help people connect with trusted suppliers who can make the green home improvements	72%	83%	41%	79%	77%
	6.6	7.4	4.5	7.0	7.0
allow homeowners to make green home improvements by borrowing extra at reduced rates	72%	86%	42%	75%	81%
	6.6	7.6	4.5	6.8	7.1
incentivise people to purchase a sustainable home	71%	85%	37%	78%	77%
	6.6	7.5	4.3	7.0	7.1
offer cash back rewards for making green home improvements to the homeowners	69%	81%	38%	74%	77%
	6.5	7.4	4.4	6.8	6.9



There is very little variation in importance of features with only a 5% difference in the importance of the top and bottom factor.

Source: Scottish Consumers Survey. C11_GM. How important are the following features to you in relation to Green Mortgages?

Base: Total n=1023, Pioneers n=364, Resistors n=217, Aspirants n=288, Landlords n=154

Blue and red represents higher and lower than NET

Unsecured Green Home Loans



Overview of Unsecured Green Home Loans.

STRONGER DEBT APPETITE DRIVES TAKE UP OF UNSECURED GREEN HOME LOANS

RESIDENTS WITH LOWER FINANCIAL KNOWLEDGE AND CAPABILITY ARE STRUGGLING TO UNDERSTAND THIS FINANCE PRODUCT

SHORTER TERMS AND 0% LOANS DRIVES APPETITE AMONGST OPEN CONSUMER SEGMENTS

ROBUST CONSUMER PROTECTIONS FOR POINT-OF-SALE FINANCE IS THE MOST IMPORTANT FEATURE OF AN UNSECURED GREEN HOME LOAN

Metric 6 - 10 NET Average scores (out of 10)	Unsecured Green Home Loans (Residents)	Unsecured Green Home Loans (Landlords)
Likelihood to use	36% 4.1	60% 5.8
Understanding	62% 6.0	77% 7.0
Relevance	37% 4.4	69% 6.2
Appeal	45% 4.8	69% 6.4
Innovation	53% 5.5	72% 6.7

Source: Scottish Consumers Survey. C2_How likely or unlikely are you to use [financial product]? C2_Please describe the financial product that you have just been shown using the scales below. Base: Residents n=869, Landlords n=154

Consumers with a stronger debt appetite drive take-up.

Metric 6 - 10 NET Average scores (out of 10)	Total (Residents + Landlords)	Residents			
		Pioneers	Resistors	Aspirants	Landlords
Likelihood to use	40%	51%	12%	37%	60%
	4.4	5.1	2.1	4.4	5.8
Understanding	64%	79%	50%	49%	77%
	6.2	7.0	5.3	5.4	7.0
Relevance	42%	53%	13%	35%	69%
	4.7	5.5	2.6	4.5	6.2
Appeal	49%	63%	14%	47%	69%
	5.1	5.9	2.7	5.1	6.4
Innovation	56%	72%	23%	52%	72%
	5.7	6.5	3.8	5.6	6.7



64% of residents who would borrow from a financial provider to pay for green home improvements would use an Unsecured Green Home Loan.

In addition to their position on improvements and the government's stance, this may also explain why only 12% of Resistors are willing to use an Unsecured Green Home Loans as they have lower debt appetite.

Landlords are also driving take up, rooted in strong understanding and innovation scores.

Aspirants are struggling to understand unsecured green home loans, which may be driving their lower take-up.

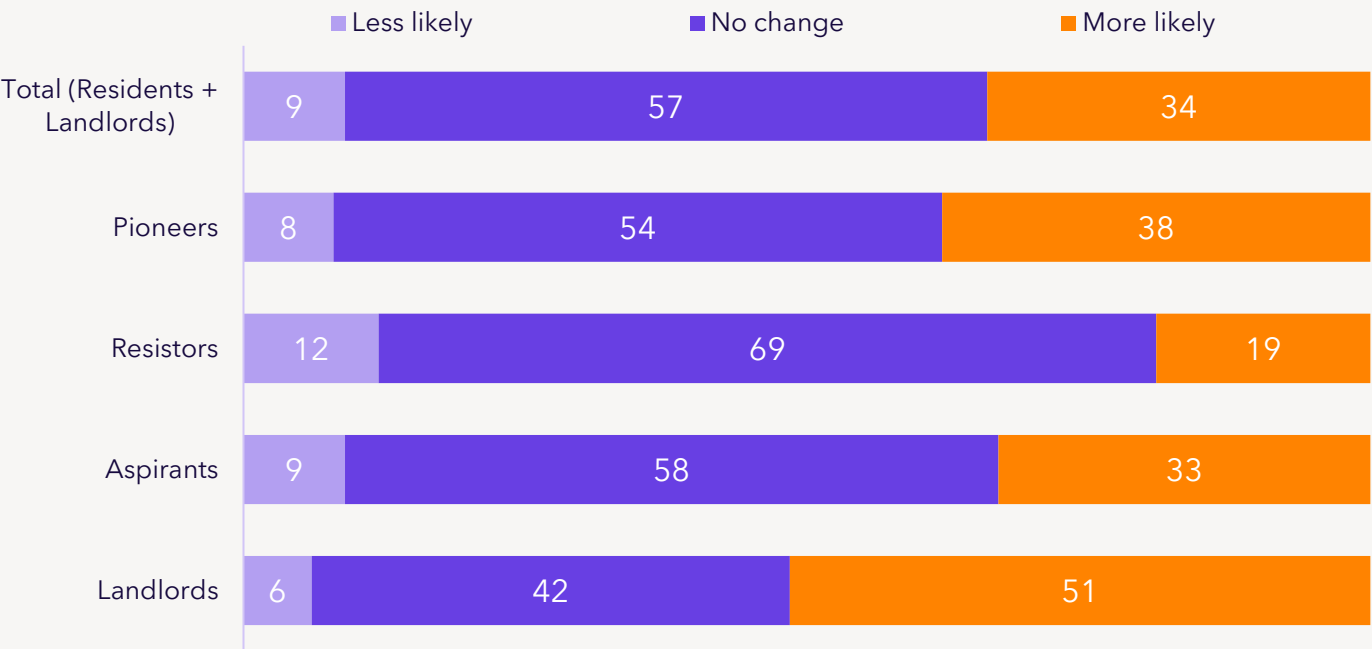
Source: Scottish Consumers Survey. C2_How likely or unlikely are you to use [financial product]? C2_Please describe the financial product that you have just been shown using the scales below. Base: Total n=1023, Pioneers n=364, Resistors n=217, Aspirants n=288, Landlords n=154

Blue and red represents higher and lower than NET

Shorter terms and 0% interest rates drive likelihood for open segments.

Impact of shorter terms and 0% interest rates on likelihood to use

10 removed from the scale as likelihood cannot grow beyond 10 out of 10



However, despite shorter terms and 0% interest rates via Point of Sale Finance or Personal Loans, only **1 in 5 Resistors** would be more likely to use an Unsecured Green home Loan.

Source: Scottish Consumers Survey. C5a. Both personal loans and point-of-sale finance typically have shorter repayment periods than some other forms of finance. These loans include 0% loans and 0% point-of-sale loans which are lower interest rates than mortgages. How does this impact your likelihood to take up a product like this to fund green home improvements in your home?
Base: Total Respondents n=1023, Pioneers n=x, Resistors n=x, Aspirants n=x, Landlords n=x

Consumer protections and shorter terms are top important factors.

How important are the following features to you in relation to Unsecured Green Home Loans?

(6 - 10 NET) (Average Score - %)

Metric 6 - 10 NET Average scores (out of 10)	Total (Residents + Landlords)	Residents			
		Pioneers	Resistors	Aspirants	Landlords
Point of Sale consumer protections	70%	80%	48%	70%	81%
	6.6	7.3	4.9	6.8	6.9
Shorter loan terms	60%	73%	34%	58%	73%
	5.9	6.7	4.1	6.1	6.6
Point of Sale connects you to financing through the supplier who makes the improvements	60%	74%	30%	57%	75%
	5.8	6.6	3.9	5.9	6.7
I can take out financing for green home improvements using point of sale finance	55%	70%	22%	54%	71%
	5.6	6.4	3.5	5.7	6.5
I can take out financing for green home improvements using a personal loan	56%	72%	24%	53%	71%
	5.5	6.4	3.6	5.6	6.4



Point of sale consumer protections is the most important feature across all consumer segments, showing the largest variation in importance of all other features.

Additionally, **Pioneers** and **Landlords** are driving importance of shorter terms, showing stronger alignment with this feature than other groups.

Green Rental Agreements



Overview of Green Rental Agreements.

PRIVATE TENANTS AND LANDLORDS HAVE
STRONG APPETITE FOR GREEN RENTAL
AGREEMENTS

GREEN RENTAL AGREEMENTS ARE ADDRESSING
THE SPLIT INCENTIVE DYNAMIC

PIONEER PRIVATE RENTERS ARE THE
RECOGNISING VALUE FOR LANDLORDS AND
TENANTS

Metric 6 - 10 NET Average scores (out of 10)	Green Rental Agreements (Residents)	Green Rental Agreements (Landlords)
Likelihood to use/Sentiment	44%	67%
	5.2	6.1
Understanding	61%	73%
	6.0	6.7
Relevance	33%	69%
	3.7	6.4
Appeal	44%	66%
	4.8	6.3
Innovation	59%	72%
	5.9	6.9

Source: Scottish Consumers Survey. C2_How likely or unlikely are you to use [financial product]? C2_Please describe the financial product that you have just been shown using the scales below. Base: Residents n=869, Landlords n=154

There is strong appetite for GRAs amongst target audiences.

Note: this is Private Renter Residents Only					
Metric 6 - 10 NET Average scores (out of 10)	Total (Private Renters + Landlords) N=443	Pioneers N=115	Resistors N=40	Aspirants N=134	Landlords N=154
Likelihood to use	61%	72%	20%	55%	67%
	6.6	7.8	6.3	6.4	6.1
Understanding	63%	87%	40%	66%	73%
	6.6	7.4	5.2	6.1	6.7
Relevance	39%	81%	35%	65%	69%
	6.5	7.4	4.5	6.6	6.4
Appeal	47%	77%	28%	62%	66%
	6.2	7.1	3.9	6.1	6.3
Innovation	61%	85%	38%	72%	72%
	6.8	7.4	4.7	6.6	6.9



Green Rental Agreements have strong resonance (appeal + relevance) with their target audiences of Private Renters and Landlords.

Pioneer Private Renters segment are significantly more positive towards entering into a GRA than the other renter segments.

Aspirant Private Renters are struggling to fully understand Green Rental Agreements, however they are recognising the relevance of the finance solution.

Source: Scottish Consumers Survey. C2_How likely or unlikely are you to use [financial product]? C2_Please describe the financial product that you have just been shown using the scales below. Base: Private Renters and Landlords n=443, Private Renter Pioneers n=115, Private Renter Resistors n=40, Private Renter Aspirants n=134, Landlords n=154

Blue and red represents higher and lower than NET

Green Rental Agreements are addressing the split incentive dynamic.

How important are the following features to you in relation to Green Rental Agreements?

(6 - 10 NET) (Average Score - %)

Note: this is Private Renter Residents Only					
Metric 6 - 10 NET Average scores (out of 10)	Total (Private Renters + Landlords) N=443	Pioneers	Resistors	Aspirants	Landlords
It makes energy prices more predictable across the year for tenants	75%	83%	45%	80%	74%
	7.1	7.6	4.9	7.4	7.0
The 'warm rent' package is an improvement on a standard 'bills included' rent option	69%	77%	30%	69%	71%
	6.6	7.2	4.1	6.6	6.8
It allows landlords to recover costs from making green home improvements to a rental property	69%	70%	33%	60%	82%
	6.4	6.9	3.7	5.6	7.3



The most important feature of GRAs to **Pioneers and Aspirants** is predictable energy prices.

Recovery of costs for landlords is not as important for **Aspirants** but **Pioneers** who are privately renting are still seeing value in this feature, which speaks to their more open mindset.

For Landlords, the recovery of costs is most important feature.

Overall, GRAs appear to be addressing the split incentive dynamic with consumers seeing the importance of the benefit relevant to them.

Property Linked Finance



Overview of Property Linked Finance.

FIRST TIME BUYER PIONEERS ARE DRIVING TAKE-UP AND PERCEPTIONS OF INNOVATION

RESISTORS HAVE EXTREMELY LOW LIKELIHOOD SCORES, COMPOUNDED BY OUTRIGHT OWNERS

PROPERTY LINKED FINANCE IS DETTERING NEW HOMEBUYERS

PERCEPTIONS OF FLEXIBILITY, CONVENIENCE AND EASE DRIVE LIKELIHOOD

WHILST DEBT AVERSION AND UNFAMILIARITY DRIVES LOWER LIKELIHOOD

A LACK OF UNDERSTANDING OF THE PRODUCT IS CREATING FRICTION FOR ASPIRANTS WHO ALREADY HAVE LOWER FINANCIAL LITERACY

Metric 6 – 10 NET Average scores (out of 10)	Property Linked Finance (Residents)	Property Linked Finance (Landlords)
Likelihood to use	39% 4.3	67% 6.1
Understanding	61% 6.0	80% 7.0
Relevance	39% 4.4	65% 6.2
Appeal	47% 4.9	69% 6.4
Innovation	62% 6.1	76% 7.1

Source: Scottish Consumers Survey. C2_How likely or unlikely are you to use [financial product]? C2_Please describe the financial product that you have just been shown using the scales below. Base: Residents n=869, Landlords n=154

Unfamiliarity with PLF is subduing take-up amongst Aspirants.

Metric 6 - 10 NET Average scores (out of 10)	Total (Residents + Landlords)	Residents			
		Pioneers	Resistors	Aspirants	Landlords
Likelihood to use	43%	55%	11%	41%	67%
	4.5	5.4	1.9	4.6	6.1
Understanding	64%	78%	48%	50%	80%
	6.2	6.9	5.4	5.4	7.0
Relevance	42%	57%	11%	38%	65%
	4.7	5.5	2.4	4.6	6.2
Appeal	50%	65%	16%	48%	69%
	5.1	6.1	2.6	5.2	6.4
Innovation	64%	77%	36%	63%	76%
	6.2	7.1	4.4	6.2	7.1



- **Pioneers** have the strongest likelihood amongst residents with First Time Buyers in this segment driving appetite with 80% saying they are likely to use Property Linked Finance.
- Aligning with their likelihood, **Pioneer - First Time Buyers** are also driving innovative perceptions at 91%.
- Only 11% of **Resistors** are likely to use PLF - this low appetite score is driven by members of this segment who are outright owners, with only 4% saying they would use Property Linked Finance.
- A lack of understanding appears to be fuelling lower appetite amongst **Aspirants**.

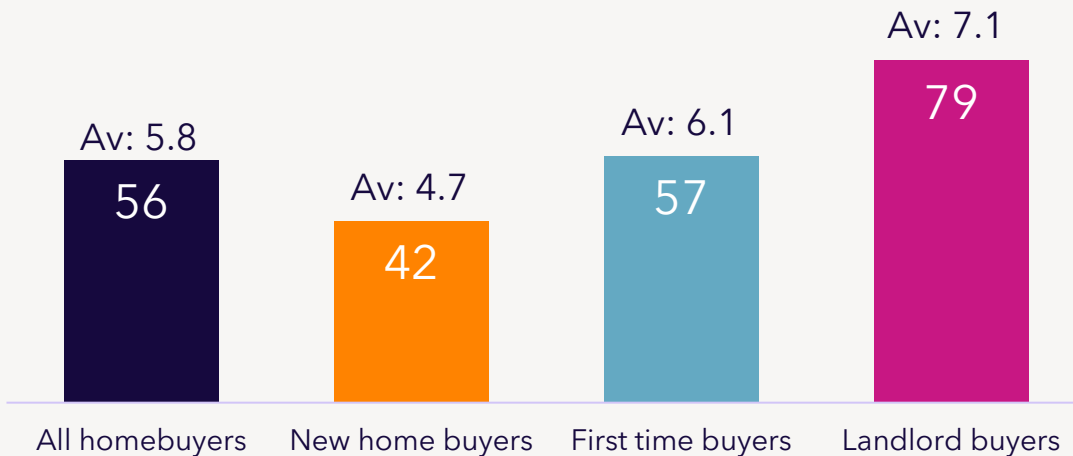
Source: Scottish Consumers Survey. C2_How likely or unlikely are you to use [financial product]? C2_Please describe the financial product that you have just been shown using the scales below. Base: Total n=1023, Pioneers n=364, Resistors n=217, Aspirants n=288, Landlords n=154

Blue and red represents higher and lower than NET

PLF is deterring Homebuyers who already own.

**IF A PROPERTY YOU WERE LOOKING TO BUY HAD PLF ATTACHED TO IT,
HOW LIKELY WOULD YOU BE TO BUY THIS PROPERTY?**

(6 - 10 NET Likelihood)
(Average Score)



This lower likelihood is driven by new home buyers who are in the **Resistors** segment, with only 23% of this group saying they would be likely to buy a property with Property Linked Finance attached to it.

However, 71% of **Pioneers who are First Time Buyers** would be likely to buy a property with PLF.

Likelihood is driven by flexibility and ease.

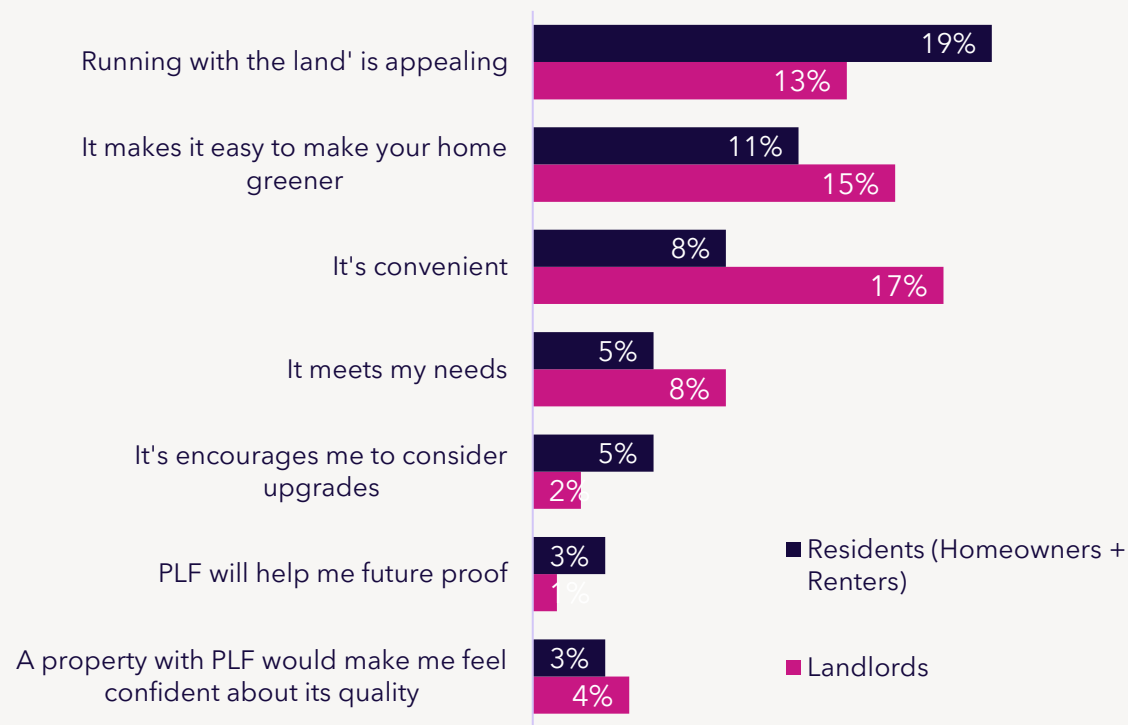
Likelihood to use (6 - 10 NET)

39%

67%

Why are you likely to use Property Linked Finance (%) -

Coded up text responses - Top 7 shown



Those who are likely to use Property Linked Finance recognise unique home finance feature of running with the land and find it appealing due to added flexibility and feeling like a lower commitment.

Additionally, consumers are noting that it makes upgrades easier and is a convenient way to pay for improvements over a longer period of time.

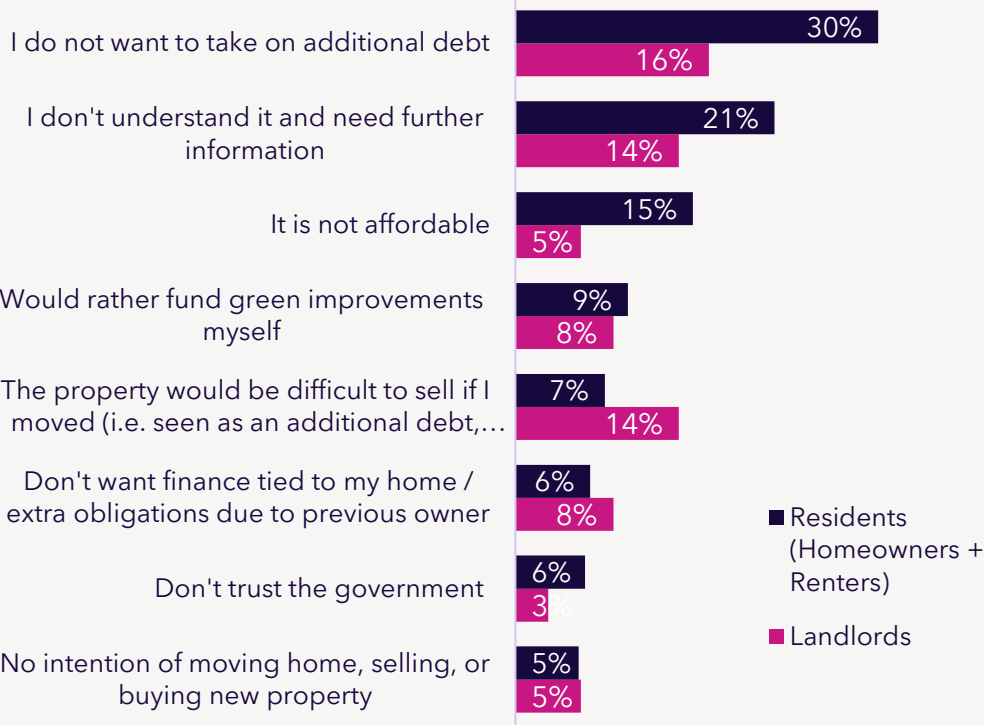
Lower likelihood is driven by debt-aversion and unfamiliarity.

Likelihood to use (0 – 4 NET)

44%

24%

Why are you unlikely to use Property Linked Finance (%)
- Coded up text responses - Top 10 shown



Those who are unlikely to use Property Linked Finance are wary about taking on additional debt. This is particularly prominent amongst Residents.

33% of **Aspirants** are unlikely to use it because they don't understand it, showing that lack of familiarity is driving lower take-up amongst this lower capability segment.

Source: Scottish Consumers Survey. C13_PLF. You mentioned that you are likely to use Property Linked Finance (PLF). Why is that?
Base: Unlikely to use PLF n=406

Hassle-free homebuying define the top features.

How important are the following features to you in relation to Property Linked Finance?

(6 – 10 NET) (Average Score - %)

Metric 6 – 10 NET Average scores (out of 10)	Total (Private Renters + Landlords) N=443	Residents			
		Pioneers	Resistors	Aspirants	Landlords
A new owner would take on payments but not any arrears if the previous owner was behind on payments	70%	80%	43%	71%	82%
	6.8	7.4	4.9	7.0	7.5
Homebuyers can benefit from moving into a home where green home improvements have already been made	72%	84%	42%	75%	81%
	6.7	7.6	4.6	7.1	7.1
It spreads the cost of green home improvements over a longer term	71%	82%	42%	77%	80%
	6.6	7.4	4.6	7.1	7.1
It is only the current property owner who has an obligation to pay	66%	79%	42%	63%	75%
	6.5	7.3	5.0	6.6	7.0
It would exist outside of any potential mortgage you may have	60%	73%	33%	58%	73%
	6.1	6.8	4.2	6.1	6.8



The new owner taking on payments but no arrears, and homebuyers benefitting from moving into a home with green upgrades are the top features of PLF at a total level.

However, all features are important to **Pioneers** and **Landlords** showing strong alignment with this product that matches their higher take up.

Recommendations



Recommendations.



Build trust by increasing awareness - It's crucial to raise awareness of the cost and tangible benefits of green home improvements in tandem with boosting awareness of the financial solutions to grow market potential in Scotland. By building consumer awareness of what upgrades they can make and how they can facilitate the costs of those upgrades, they can gain trust in the market.



Raise confidence by building financial literacy and capability to make green home improvements - Enhancing financial literacy and building capability are essential steps to boost motivation and take up of financial products. In addition, address the prevalent issue of low debt appetite by helping customers understand the flexibility of the green home finance solutions.



Increase appeal and relevance with targeted messaging - Ensure that messages resonate with the target audience by making products feel relevant and appealing. This can also be done by linking the outcomes of the solutions to consumers top motivations to make green home improvements surrounding energy efficiency and cost savings.



Highlight innovative features of the products - Highlighting innovation across all green home finance solutions is important, as higher innovation scores are linked to a greater likelihood to use. Highlight the solutions unique features and unique purposes to ensure stronger appeal and take-up within the Scottish market.



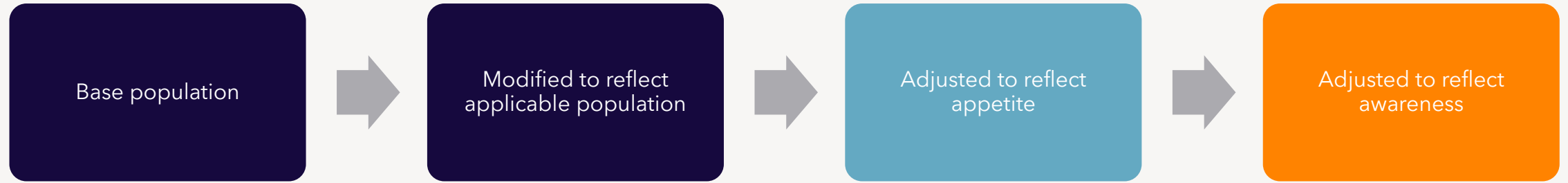
Leverage the relationship between government stance and solution appeal - Both GFI and the Scottish Government have crucial roles to play. Support for government plans is highly correlated with positive attitudes towards green home finance solutions, meaning that collaboration in helping consumers understand government regulation in a way that is palatable and boosting knowledge and appeal of the solutions will be essential.

Green Home Finance Solutions: Market Sizing



Market Sizing: Three step approach.

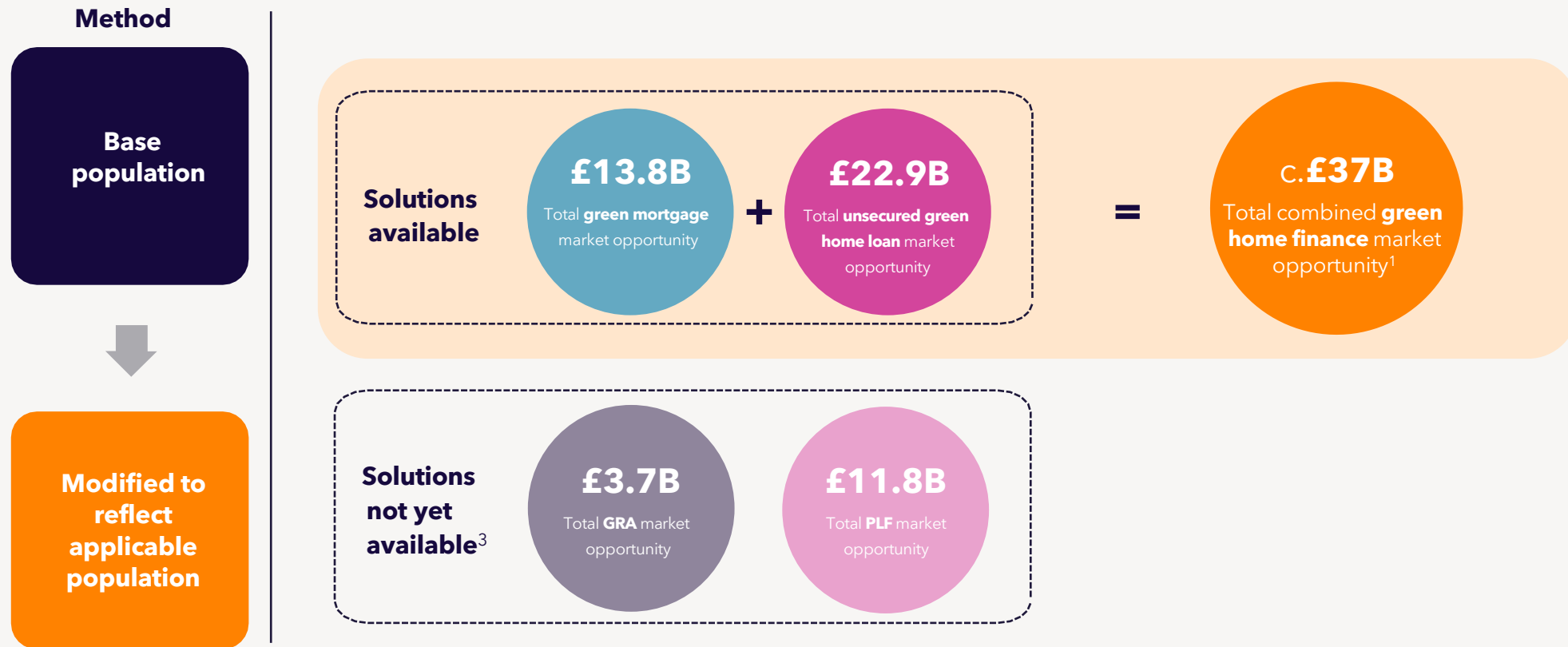
Method



Sources

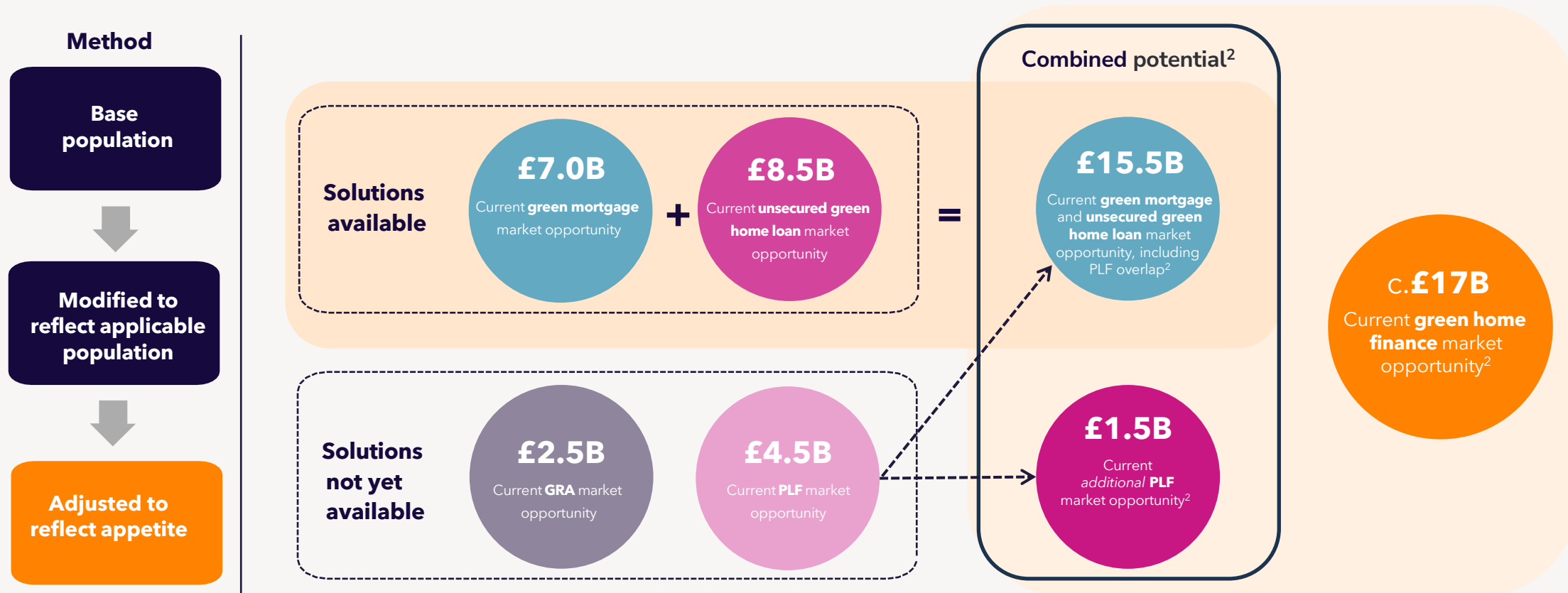
- Mortgage Lending and Administration Return (MLAR) FCA & BOE
- UK data apportioned according to UK Finance Regulated Mortgage Survey data
- CENSUS
- Scottish House Condition Survey: 2022
- Market data

Significant opportunities exist for Green Finance solutions with market education.



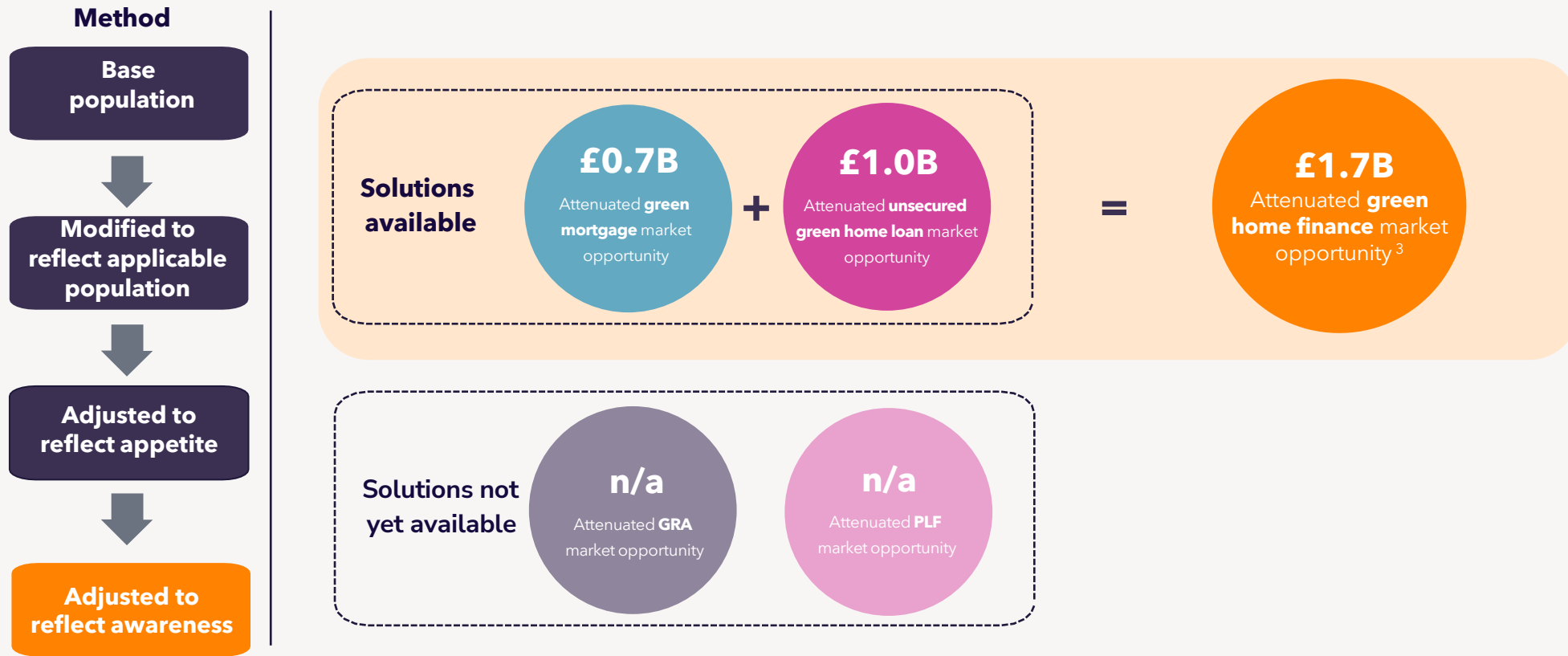
¹ The total market estimate combines the green mortgage and unsecured green home loans markets since PLF targets the same market as unsecured green home loans and GRAs would be covered by a combination for the other markets.

Current appetite reflects the potential opportunity if more solutions came to market today.



² The total market opportunity estimate includes the green mortgage market and a combined estimate for unsecured green home loans and PLF. This approach accounts for consumers who indicated they would use both an unsecured loan and PLF, as well as those who would use only one of the two.

However, the market for green finance is attenuated by awareness. This is a short-term action to fix.



³ The total market estimate only includes solutions that are currently available, as it is based on current awareness; it is assumed that consumers would not be aware of products not yet on the market..

Market Sizing: Green Mortgages Detail



Green Mortgages - Total.

Green mortgages	Residents & Landlords	Source
Total estimated size of the Scottish mortgage market (based on 4 quarters to Q3 2024)	£13,815,511,064	Estimated opportunity value of Residential Green Mortgage market (C17) + Estimated opportunity value of buy to let mortgage market (C24)
Estimated value today of the Green Mortgage market adjusted for liklihood to use.	£6,959,550,914	Estimated value of Residential Green Mortgage market (C19) + Estimated size of Buy to Let mortgage market (C26)
Estimated value today of the Green Mortgage market adjusted for awareness and liklihood to use.	£725,833,703	Awareness modified value of residential Green Mortgage market (C21) + Awareness modified value of Buy to Let market (C28)

Green Mortgages - Residential.

Green mortgages (regulated and non-regulated)	Residents	Source
Estimated Scottish first time buyer mortgage market (based on 4 quarters to Q3 2024)	£3,818,381,763	Residential loans to individuals: All (Regulated and Non-regulated) Mortgage Lending and Administration Return (MLAR) FCA & BOE (https://www.fca.org.uk/publication/data/mlar-statistics-detailed-long-run.xlsx). UK data apportioned according to UK Finance Regulated Mortgage Survey data (https://www.ukfinance.org.uk/system/files/2024-12/Scotland%20Mortgage%20Factsheet%20Public.pdf).
Estimated Scottish home mover mortgage market (based on 4 quarters to Q3 2024)	£4,379,964,421	Residential loans to individuals: All (Regulated and Non-regulated) Mortgage Lending and Administration Return (MLAR) FCA & BOE (https://www.fca.org.uk/publication/data/mlar-statistics-detailed-long-run.xlsx). UK data apportioned according to UK Finance Regulated Mortgage Survey data (https://www.ukfinance.org.uk/system/files/2024-12/Scotland%20Mortgage%20Factsheet%20Public.pdf).
Estimated Scottish remortgaging mortgage market (based on 4 quarters to Q3 2024)	£3,813,822,875	Residential loans to individuals: All (Regulated and Non-regulated) Mortgage Lending and Administration Return (MLAR) FCA & BOE (https://www.fca.org.uk/publication/data/mlar-statistics-detailed-long-run.xlsx). UK data apportioned according to UK Finance Regulated Mortgage Survey data (https://www.ukfinance.org.uk/system/files/2024-12/Scotland%20Mortgage%20Factsheet%20Public.pdf).
Estimated Scottish further advance mortgage market (based on 4 quarters to Q3 2024)	£281,668,349	Residential loans to individuals: All (Regulated and Non-regulated) Mortgage Lending and Administration Return (MLAR) FCA & BOE (https://www.fca.org.uk/publication/data/mlar-statistics-detailed-long-run.xlsx). UK data apportioned according to UK Finance Regulated Mortgage Survey data (https://www.ukfinance.org.uk/system/files/2024-12/Scotland%20Mortgage%20Factsheet%20Public.pdf).
Estimated Scottish other mortgage market (based on 4 quarters to Q3 2024)	£404,217,733	Residential loans to individuals: All (Regulated and Non-regulated) Mortgage Lending and Administration Return (MLAR) FCA & BOE (https://www.fca.org.uk/publication/data/mlar-statistics-detailed-long-run.xlsx). UK data apportioned according to UK Finance Regulated Mortgage Survey data (https://www.ukfinance.org.uk/system/files/2024-12/Scotland%20Mortgage%20Factsheet%20Public.pdf).
Total estimated Scottish residential mortgage market (based on 4 quarters to Q3 2024)	£12,698,055,141	Sum of mortgage market components.
Blended Resident appetite for Green Mortgages	49%	Survey: Resident average likelihood to use Green Mortgages to buy a greener home (A or B) or make home improvement. Mean score calculated from 0-10 scale.
Estimated £ value of mortgage market in Scotland attenuated by likelihood to use Green Mortgage	£6,283,272,394	Total estimated Scottish residential mortgage market (C17) * blended Resident appetite for Green Mortgages (C18)
Level of Resident (homeowners and renters) Green Mortgage awareness	8%	Survey: C1_GM Proportion of Residents (homeowners and renters) aware of Green Mortgages
Estimated £ value of mortgage market in Scotland attenuated by likelihood to use and awareness of Green Mortgages	£502,661,792	Estimated £ value of residential mortgage market in Scotland attenuated by Resident likelihood to use Green Mortgage (C19) * level of Resident awareness of Green Mortgages (C20)

Green Mortgages – Buy to let.

Green mortgages (regulated and non-regulated)	Landlords	Source
Estimated Scottish buy to let mortgage market (based on 4 quarters to Q3 2024)	£1,117,455,923	Residential loans to individuals: All (Regulated and Non-regulated) Mortgage Lending and Administration Return (MLAR) FCA & BOE (https://www.fca.org.uk/publication/data/mlar-statistics-detailed-long-run.xlsx). UK data apportioned according to UK Finance Regulated Mortgage Survey data (https://www.ukfinance.org.uk/system/files/2024-12/Scotland%20Mortgage%20Factsheet%20Public.pdf).
Blended Landlord appetite for Green Mortgages	61%	Survey: Landlord average likelihood to use Green Mortgages to buy a greener home (A or B) or make home improvement. Mean score calculated from 0-10 scale.
Estimated £ value of mortgage market in Scotland attenuated by likelihood to use Green Mortgage	£676,278,520	Total estimated Scottish buy to let mortgage market (C24) * blended Landlord appetite for Green Mortgages (C25)
Level of Landlord Green Mortgage awareness	33%	Survey: C1_GM Proportion of Landlords aware of Green Mortgages
Estimated £ value of buy to let mortgage market in Scotland attenuated by likelihood to use and awareness of Green Mortgages	£223,171,912	Estimated £ value of buy to let mortgage market in Scotland attenuated by Landlord likelihood to use Green Mortgage (C26) * level of Landlord awareness of Green Mortgages (C27)

Market Sizing: Unsecured Green Home Loans Detail



Green home loans - Total.

Unsecured Green Home Loan	Homeowners and Landlords Combined	Source
Average amount people are prepared to borrow for home improvements	£12,000	Market Data: https://www.techsciresearch.com/report/united-kingdom-loan-market/14616.html
Number of applicable households	1,908,801	Market Data (CENSUS): https://www.scotlandscensus.gov.uk/webapi/jsf/tableView/tableView.xhtml
Number of homeowners and landlords likely to use green home loan to fund home improvements	710,665	n homeowners likely to use unsecured Green Home loan to fund home improvements (C19) + n landlords likely to use unsecured Green Home loan to fund home improvements (C28)
Appetite adjusted value of unsecured Green Home loans for home improvements	£8,527,980,960	Homeowner appetite adjusted value of unsecured Green Home loans for home improvements (C20) + Landlord appetite adjusted value of unsecured Green Home loans for home improvements (C29)
Awareness adjusted value of unsecured Green Home loans for home improvements	£988,493,868	Homeowner awareness adjusted value of unsecured Green Home loans for home improvements (C22) + Landlord awareness adjusted value of unsecured Green Home loans for home improvements (C31)

Green home loans - Homeowners.

Unsecured Green Home Loans	Homeowners	Source
Average amount people are prepared to borrow	£12,000	Market Data: https://www.techsciresearch.com/report/united-kingdom-loan-market/14616.html
Number of 'Owned' households	1,585,758	Market Data (CENSUS): https://www.scotlandscensus.gov.uk/webapi/jsf/tableView/tableView.xhtml
Average Homeowner likelihood to use unsecured Green Home Loans to fund home improvements	33%	C3_UGL Survey - Homeowner average likelihood to use green home loan to fund home improvements. Mean score calculated from 0-10 scale.
Number of Homeowners likely to use unsecured Green Home loan to fund home improvements	523,300	Total n homeowners in Scotland (C16) * homeowner avg % likelihood to use green home loan to fund home improvements (C18)
Homeowner appetite adjusted value of unsecured Green Home loans for home improvements	£6,279,601,680	n Scottish homeowners likely to use green home loan (C19) * avg size of home improvement loan (C15)
Level of homeowner awareness	5%	C1_UGL. Homeowner Unsecured Green Home Loan awareness before taking the survey
Homeowner awareness adjusted value of unsecured Green Home loans for home improvements	£313,980,084	Appetite adjusted value of unsecured Green Home loan (C20) * survey Homeowner Green Home Loan awareness before taking the survey (C21)

Green home loans - Landlords.

Unsecured Green Home Loans	Landlords	Source
Average amount people are prepared to borrow	£12,000	Market Data: https://www.techsciresearch.com/report/united-kingdom-loan-market/14616.html
Number of 'Private Rented' households	323,043	Market Data (CENSUS): https://www.scotlandscensus.gov.uk/webapi/jsf/tableView/tableView.xhtml
Average likelihood to use green home loans to fund home improvements	58%	C3_UGL Survey - Landlord average likelihood to use green home loan to fund home improvements. Mean score calculated from 0-10 scale.
Number of Landlords likely to use green home loan to fund home improvements	187,365	Total n Landlords in Scotland (C26) * landlord avg % likelihood to use green home loan to fund home improvements (C27)
Landlord appetite adjusted value of unsecured Green Home loans for home improvements	£2,248,379,280	n Scottish Landlords likely to use green home loan (C28) * avg size of home improvement loan (C25)
Level of landlord awareness	30%	C1_UGL. Landlord Unsecured Green Home Loan awareness before taking the survey
Landlord awareness adjusted value of unsecured Green Home loans for home improvements	£674,513,784	Appetite adjusted value of unsecured Green Home loan (C29) * survey Landlord Green Home Loan awareness before taking the survey (C30)

Market Sizing: Property Linked Finance Detail



Property Linked Finance - Total.

Property Linked Finance (PLF)	Homeowners & Landlords value	Source
Average amount people are prepared to borrow to fund home improvements	£12,000	Market Data: https://www.techsciresearch.com/report/united-kingdom-loan-market/14616.html
Number of applicable homes	1,908,801	Market Data (CENSUS): https://www.scotlandscensus.gov.uk/webapi/jsf/tableView/tableView.xhtml
Estimated number of owner-occupied homes rated EPC D and below	986,116	Number of owner-occupied homes in Scotland (C18) + Number of private rented homes in Scotland (C29) EPC D and below
Potential value of Property Linked Finance for making home improvements	£11,833,387,920	Estimated number of qualifying homes (C9) * Average amount people are prepared to borrow (C7)
Survey appetite adjusted value of PLF for making home improvements	£4,546,681,553	Survey adjusted value of Homeowner PLF market (C21) + Survey adjusted value of Landlord adjusted PLF market (C32)
Awareness modified value of Property Linked Finance for making home improvements	n/a	Product is not yet released - n/a

Property Linked Finance - Homeowners.

Property Linked Finance (PLF)	Homeowners value	Source
Average amount people are prepared to borrow	£12,000	Market Data: https://www.techsciresearch.com/report/united-kingdom-loan-market/14616.html
Number of "Owned" homes in Scotland	1,585,758	Market Data (CENSUS): https://www.scotlandscensus.gov.uk/webapi/jsf/tableView/tableView.x.html
% of those owner-occupied homes rated EPC D and below	52%	Table EE8a Percentage of dwellings by EPC band and EER, 2010 to 2022 From Scottish House Condition Survey: 2022 - Chapter 02 Energy Efficiency- tables and figures
Estimated number of owner-occupied homes rated EPC D and below	824,594	Number of owner-occupied homes in Scotland (C16) * Proportion of homes rated D and below (C17)
Potential value of Property Linked Finance for making home improvements	£9,895,129,920	Estimated number of owner occupied homes rated EPC D and below (C18) * Average amount people are prepared to borrow for home improvements (C15)
Homeowner appetite for PLF for making home improvements	34%	C3_PLF Survey average likelihood of homeowners to use Property Linked Finance to make home improvements. Mean score calculated from 0-10 scale.
Survey adjusted value of PLF for making home improvements	£3,364,344,173	Potential value of PLF for making home improvements (C19) * Scottish homeowners likely to use PLF for home improvements (C20)
Awareness of PLF for making home improvements	n/a	Product is not yet released - n/a
Awareness modified value of Property Linked Finance for making home improvements	n/a	Product is not yet released - n/a

Property Linked Finance - Landlords.

Property Linked Finance (PLF)	Landlords value	Source
Average amount people are prepared to borrow	£12,000	Market Data: https://www.techsciresearch.com/report/united-kingdom-loan-market/14616.html
Number of "Private Rented" homes in Scotland	323,043	Market Data (CENSUS): https://www.scotlandscensus.gov.uk/webapi/jsf/tableView/tableView.x
% of those Privated Rented homes rated EPC D and below	50%	Table EE8a Percentage of dwellings by EPC band and EER, 2010 to 2022 From Scottish House Condition Survey: 2022 - Chapter 02 Energy
Estimated number of Private Rented homes rated EPC D and below	161,522	Number of Private Rented homes in Scotland (C27) * Proportion of homes rated D and below (C28)
Potential value of Property Linked Finance for making home improvements	£1,938,258,000	Estimated Private Rented Homes rated EPC D and below (C29) * Average amount people are prepared to borrow for home improvements (C26)
Landlord appetite for PLF for making home improvements	61%	C3_PLF Survey average likelihood of Landlords to use Property Linked Finance to make home improvements. Mean score calculated from 0-10 scale.
Survey adjusted value of PLF for making home improvements	£1,182,337,380	Potential value of PLF for making home improvements (C30) * Scottish Landlords likely to use PLF for home improvements (C31)
Awareness of PLF for making home improvements	n/a	Product is not yet released - n/a
Awareness modified value of Property Linked Finance for making home improvements	n/a	Product is not yet released - n/a

Market Sizing: Green Rental Agreements Detail



Green Rental Agreements.

Green Rental Agreements (GRA)	Landlords & Private Renters	Source
No. of Private Rented Homes in Scotland (2022)	323,043	Scottish census 2022
Average size of rent per property (pcm)	£967	HomeLet rental index report
Size of Private Rental Market in Scotland (pcm)	£312,382,581	No. of Private Rented Homes in Scotland (C7) * Average monthly rent (C8)
Size of Private Rental Market in Scotland (annualised)	£3,748,590,972	Average monthly value of Private Rental Sector (C9) * 12 (months per year)
Blended appetite of landlords and private renters for GRAs to fund home improvements	66%	C6_GRA & C7_GRA Survey likelihood of Landlords & Renters to use GRAs to manage costs of home improvements. Mean score calculated from 0-10 scale.
Appetite adjusted market for GRAs to fund home improvements	£2,474,070,042	annualised size of the private rental market in (C10) * blended appetite of landlords and private renters for GRAs to fund home improvements (C11)
Awareness of GRAs to fund home improvements	n/a	Product is not yet released - n/a
Awareness modified value of GRAs to fund home improvements	n/a	Product is not yet released - n/a

Market Sizing: Green Home Finance Solutions - Total



Green Home Finance Solutions - Total

Green Rental Agreements (GRA)	Landlords & Private Renters	Source
No. of Private Rented Homes in Scotland (2022)	323,043	Scottish census 2022
Average size of rent per property (pcm)	£967	HomeLet rental index report
Size of Private Rental Market in Scotland (pcm)	£312,382,581	No. of Private Rented Homes in Scotland (C7) * Average monthly rent (C8)
Size of Private Rental Market in Scotland (annualised)	£3,748,590,972	Average monthly value of Private Rental Sector (C9) * 12 (months per year)
Blended appetite of landlords and private renters for GRAs to fund home improvements	66%	C6_GRA & C7_GRA Survey likelihood of Landlords & Renters to use GRAs to manage costs of home improvements. Mean score calculated from 0-10 scale.
Appetite adjusted market for GRAs to fund home improvements	£2,474,070,042	annualised size of the private rental market in (C10) * blended appetite of landlords and private renters for GRAs to fund home improvements (C11)
Awareness of GRAs to fund home improvements	n/a	Product is not yet released - n/a
Awareness modified value of GRAs to fund home improvements	n/a	Product is not yet released - n/a

Appendix



Stimulus shown in the survey.

Green mortgages

A green mortgage is a type of **secured loan*** that encourages homeowners and homebuyers to make more sustainable decisions about their properties. These mortgages can either **incentivise you to purchase a sustainable home** or **help you to improve the sustainability of your existing home**.

INCENTIVE-BASED MORTGAGES

Mortgages that **encourage you to purchase or remortgage a home** that already meets certain green criteria.

For example:

Discounted rate green mortgage products

For homes that meet certain sustainability requirements - usually an A or B Energy Performance Certificate or 'EPC' rating.

Enhanced borrowing for energy efficient homes

Some mortgage lenders may let you borrow more if you buy an energy-efficient property. The idea is that you'll have lower energy bills, leaving more money available to cover your mortgage. Because of this, you could consider homes that might otherwise have been outside of your price range, provided they meet the lender's criteria (for example, an EPC rating of A or B).

This could be especially helpful if you're a first-time buyer or have a smaller deposit or income, and you're prepared to take on a bigger mortgage for a more efficient home. Note: Currently, landlords can't access this 'green enhanced borrowing' feature, but it may become available to them in the future.

*This means the lender can take back the property to pay off the loan if the borrower doesn't keep up with their mortgage repayments. This is the key difference between secured and unsecured lending.

IMPROVEMENT-BASED MORTGAGES

Mortgages that **enable you to sustainably improve** your home.

For example:

Cashback offers

These are given to help you make (or reward you for making) certain energy-efficient, clean heat or climate resiliency home improvements.

Green further advances

These allow you to borrow extra at reduced rates on top of your current mortgage for sustainable retrofit projects.

Integrated retrofit mortgages

Retrofitting means upgrading your home with sustainable technology, like solar panels or heat pumps.

Previously homeowners were expected to handle everything during a green home retrofit project, from finding suppliers to managing the project, with lenders only providing funds.

Integrated retrofit mortgages simplify this by:

- Partnering with trusted retrofit providers to co-deliver the project
- Streamlining the process
- Ensuring reputable suppliers

Unsecured green home loans

Unsecured green home loans are a specialised form of financing, tailored specifically to assist homeowners with making energy efficiency, clean heat and climate resiliency (e.g. resilient to flooding) upgrades.

Unsecured green home loans fall into two categories:

Personal loans or **point of sale finance**, and these have similarities with existing lending products for other types of consumer goods.

PERSONAL LOANS

Funds are sent from a financial services provider (lender) direct to a consumer (borrower) to use at their discretion - referred to as a **personal loan**.

Personal loans can fund various products, and while lenders may ask about their use, borrowers have the freedom to spend the funds as they wish.

Different to taking out a normal personal loan, to qualify as a **green personal loan**, lenders must certify that the funds are used for low-carbon and energy efficient home improvements, which may be complex and costly to implement.

A green personal loan can have lower interest rates than standard personal loans and include cashback rewards from the lender.

POINT-OF-SALE FINANCE

Point-of-sale finance commonly refers to a financial product where there are 'pre-existing arrangements' between the regulated, reputable lender and the supplier, or the lender is also the supplier. It is commonly used to fund home improvements like kitchens or for purchasing cars.

You can benefit from point-of-sale finance when you want to make green or energy efficient home improvements (i.e. solar panels, insulation).

It must include detail of what the loan is financing (green or energy-efficient home improvements) and the price of the goods/ services being financed.

Point of sale finance often comes with particularly **robust consumer protections** where the lender is liable in certain situations stemming from a breach of contract or misrepresentation by the supplier.

- Borrowing over shorter terms typically results in lower overall costs compared to long-term loans. Although shorter-term interest rates can be higher, borrowing over shorter terms typically result in lower overall costs compared to longer term loans.
- For privately owned UK homes that are owned outright (without a mortgage), unsecured financing offers a practical alternative for this significant segment of the market and may also be attractive for its flexibility.

Stimulus shown in the survey.

Property Linked Finance (PLF)

PLF is a potential new solution for the UK market. It refers to long-term affordable home finance solutions that are **linked to the property, rather than the property owner** (similar to a service charge). PLF allows for homeowners and homebuyers to fund up to 100% of the upfront costs of projects that improve the environmental performance of a property.

With PLF, as the property has already been upgraded, a new owner who buys the home benefits from these improvements e.g. could be a warmer, more comfortable property which may offer savings on your energy bills or could be more resilient to flooding (depending on the upgrade measures undertaken).

PLF has several unique features that are not available from existing financial products, including:

Runs with the land

- 'Runs with the land' means that the payment obligation is *attached* to the property, so it stays with the property, even if it's sold to someone else.
 - Note: a new owner would take on the payments but not the arrears if the previous owner was behind on payments (the previous property owner would need to pay these before they sell the property).
- This means whoever owns the property and is currently benefitting from the environmental improvement measures, is also paying for them.
- When a consumer takes out a mortgage on their home, it may be from a different lender than the PLF lender.

Only payable when due

- In the event of missed *mortgage* payments, the *mortgage* lender can require you to repay the outstanding balance of the entire loan early. PLF works differently such that in the event of a missed PLF payment, you are only liable to pay back what you currently owe (being just any missed PLF payments) and not the total remaining loan balance (being all future payments).

No upfront costs

- Property owners can upgrade their homes without having to pay the costs up front. The PLF term length is determined by the lifetime of the home improvements being made. Therefore, homeowners can spread the cost of improvements over a longer period (tends to be 20-30 years) meaning lower monthly costs.

Green Rental Agreements (GRAs)

A Green Rental Agreement (GRA) **combines rent and expected energy costs**, ensuring landlords benefit from energy savings and tenants enjoy predictable expenses.

Green Rental Agreements (GRAs) are a mechanism that align with growing tenant demand for sustainable living and new government regulations which will require all privately rented properties to have an EPC rating of at least C by 2030.

With a GRA, landlords can make upgrades to a rental property like energy efficient improvements, move to clean heating systems and adapt their properties to make them more climate resilient (e.g. against flooding). Landlords can package the cost of those improvements within a "warm rent" package to tenants. This tackles the current split incentive dynamic between landlords and tenants, by delivering benefits to both the landlord and the tenant(s).

Landlords:

- Provides landlords with a clear way to recover initial investment costs while improving the energy efficiency of their properties.
- Allows landlords to meet new government regulations which will require all privately rented properties to have an EPC rating of at least C by 2030.

Tenants:

- Even though this is like a 'bills included' rent option, tenants benefit from a fixed "warm rent" cost, combining rent and energy bills, making energy prices more predictable across the year, protecting them from price spikes in the energy market.
- Enjoy warmer, healthier, more comfortable homes with potential access to additional energy infrastructure e.g. electric vehicle charging points.
- In addition, a bill is currently being considered by the UK government, focused on strengthening tenants' rights and to rebalance the dynamic between tenants and landlords. As of the 14th January 2025, the bill has reached the Report Stage and Third Reading in the House of Commons.