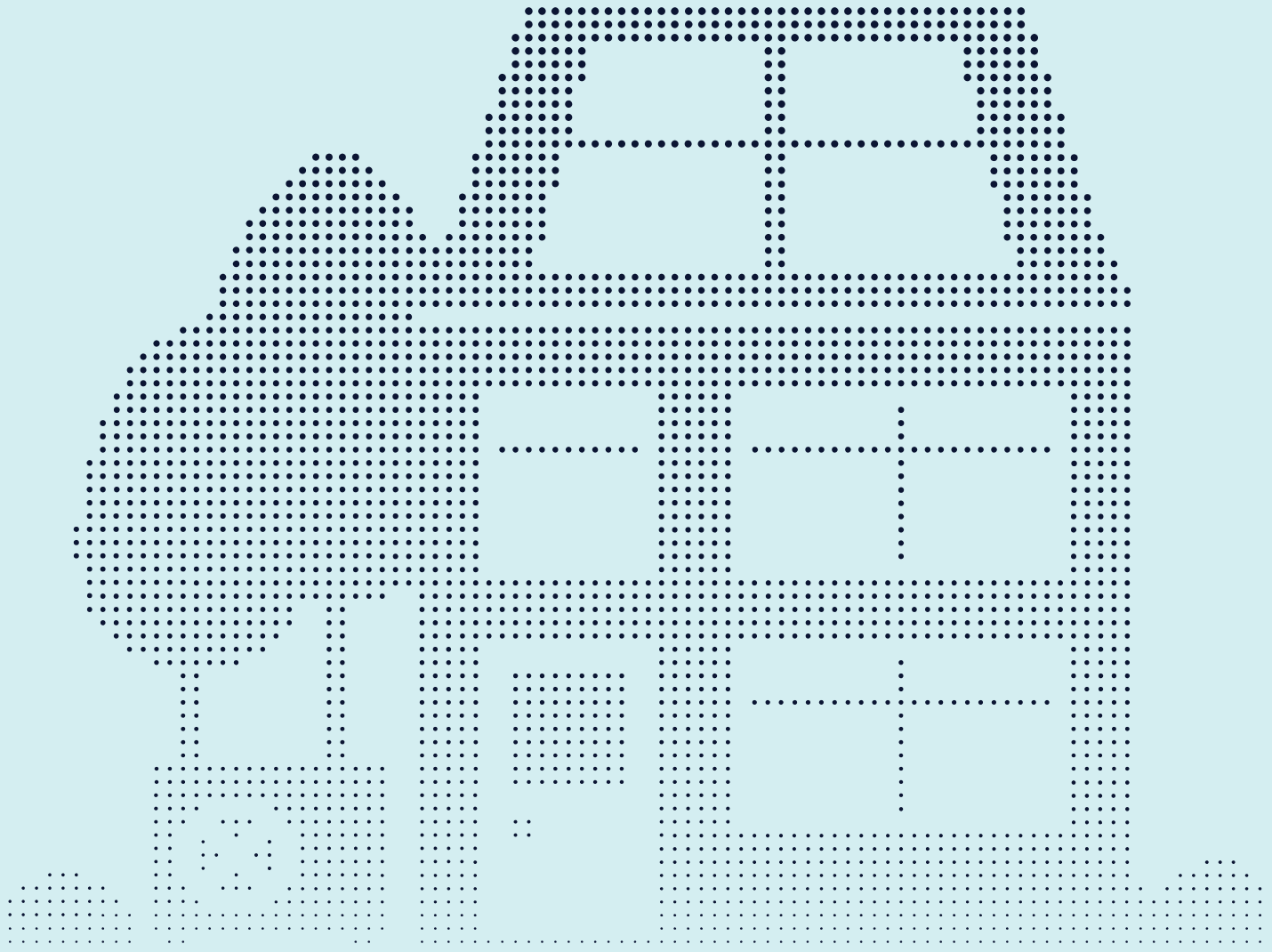
THE MCS FOUNDATION

2025

# HOMEOWNER ATTITUDES TO RETROFIT FINANCE



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# Homeowner attitudes to retrofit finance

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## About The MCS Foundation

Our vision is to make every UK home carbon-free. The MCS Foundation helps drive positive change to decarbonise homes heat and energy through our work programmes, grants and advocacy.

We support engagement programmes, fund research and facilitate innovative solutions to drive widespread adoption of renewables to help achieve a Net Zero future. In addition, the Foundation oversees the Microgeneration Certification Scheme (MCS) which defines, maintains and improves quality standards for renewable energy at buildings scale.


## Acknowledgements

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# Contents

# Glossary

**Energy as a service**
Finance model where the provider supplies energy to customers on a subscription basis, rather than the customer purchasing the energy itself. It can also encompass services such as finance for low-carbon heating systems, equipment and optimisation, energy efficiency upgrades, or a combination of these.

**Green Home Finance**
Financial products which fund or re-finance the retrofit, purchase or self-build of properties to improve their energy efficiency and cut carbon emissions.

**Leasing**
Allows something to be rented over a set period of time; the provider retains ownership while the customer pays a regular fee.

**Mortgage**
Long-term loan secured against a property, repaid in instalments.

**One-stop-shop**
Service which offers homeowners a range of information, advice and support they need for a retrofit project, from initial assessment through to installation and finance.

**Pay as you save**
Finance model where the upgrade is paid for out of the energy bill savings it generates, rather than upfront.

**Point of sale**
Finance arranged at the time of purchase where the cost is spread over set instalments (e.g. 'Buy Now, Pay Later').

**Property Linked Finance**
Loan stays with the property, rather than the homeowner, and repayments transfer to the next owner when the property is sold.

**Retrofit**
Upgrading an existing building with new features to improve its energy efficiency.

**Unsecured loan**
Loan that is not secured against an asset.

# Foreword

## By Garry Felgate, Chief Executive, The MCS Foundation

The imperative to decarbonise the UK's domestic building sector is clear. With homes responsible for around 14% of national greenhouse gas emissions, the need to accelerate progress on domestic energy efficiency is urgent.

I have enjoyed the benefit of living in a well-insulated and efficient home with a heat pump and other energy saving measures. It was warm all the time and had low energy bills. This quality of home life should be accessible to everybody.

This report delves into the question of how we support homeowners to make the upgrades needed to deliver these levels of comfort and affordability. The Climate Change Committee has laid out a clear pathway to net-zero, identifying that by 2040, improved energy efficiency must account for 10% of emissions reductions. But while technical solutions abound, and public awareness of energy costs is high, this report highlights a troubling paradox: awareness does not yet translate into action. Many homeowners prioritise cosmetic improvements—like kitchens and décor—over energy-saving measures, even when a majority (73%) understand the potential for long-term financial benefit from energy efficiency measures.

What becomes evident through this research is the complex interplay of perception, trust, and financial confidence that shapes how homeowners approach retrofitting. The findings underscore that finance is not just a means to an end—it is a critical part of the problem and the solution. While most people are familiar with financial products, many are hesitant to take on new debt for improvements they do not fully understand or trust and 40% say making energy efficiency changes to their home is at the bottom of their list. As the research shows, this hesitancy to borrow is particularly pronounced among older homeowners, while younger people show more openness to new financial models.

The report makes a compelling case for action. It outlines clear recommendations for overcoming the barriers to retrofit: better communication of benefits, independent advice from trusted voices, regulatory signals such as a phase-out date for fossil fuel heating systems, and the development of flexible, affordable finance models that meet people where they are. All helping to deliver the comfortable homes that we can afford to heat.

We have a critical window of opportunity, and a national mission. This report provides valuable insight into how we can close the gap between intent and implementation—by understanding homeowners' attitudes, and by shaping policy and finance in ways that resonate with real lives. The transition to net-zero will be built home by home. With the right tools, trust, and incentives, we can ensure that no one is left behind.

# Executive Summary

**The domestic building sector accounts for an estimated 14% of the UK's greenhouse gas (GHG) emissions.**

The Climate Change Committee (CCC) has emphasised in their Balanced Pathway that to achieve net-zero by 2050, improving energy efficiency will account for 10% of emissions reduction in 2040, and almost all homes will have had to have taken some steps to improve their energy efficiency.

Private investment will be needed to help households with financing energy efficiency measures, as we cannot finance the decarbonisation of the domestic building sector solely through public funding.

Previous research by The MCS Foundation found that over 80% of homeowners were planning to use personal savings to pay for energy efficiency measures, with only 16% intending to use some form of financial product. With many people in the UK having little to no savings, as well as an increased overall cost of living, borrowing will be an important mechanism to encourage the adoption of these measures.

**In this paper we explore homeowners' attitudes towards the following:**

- Installing energy efficiency measures in the home.
- Financing in general, including what financial products people either already have, or would consider taking out.
- Using financial products for energy efficiency measures, including in relation to other areas e.g. home improvement loans.
- Different financial products, including mortgages, unsecured loans, point of sale finance, leasing, pay as you save, energy as a service, and Property Linked Finance as means of financing energy efficiency improvements.

**The research was conducted in two phases:**


1. Qualitative focus groups, where each group had 5-6 homeowners across various life stages, followed by
2. An online survey with 1,000 respondents.

## Key findings

### 1. People are emotionally attached to their homes, but this doesn't necessarily translate into energy efficiency measures.

93% of survey respondents agreed to the statement, "being warm and cosy in my home is a priority". The focus groups revealed that people have a strong emotional resonance with their homes, associating them with narratives like "sanctuary" and "comfort". Aesthetic changes such as decorating, conversions and kitchens were frequently referenced, indicating how personalisation is a key factor when undertaking home improvements.

### 2. Installing energy efficiency measures is not viewed as a priority for many despite awareness of potential cost savings.

Though 73% of survey respondents agreed to the statement, "improving the energy efficiency of my home could save me a lot of money on energy costs", 40% agreed that "making energy efficiency changes to my home is at the bottom of my list of priorities/things I would like to change in my home". This highlights how a significant portion of homeowners are not prioritising retrofit over other home improvements, indicating a value-action gap.

### 3. Awareness, knowledge and trust in energy efficiency measures is limited

Despite the framing of the question, "assuming you could afford each of them", 22% of survey respondents would "probably not" consider installing a heat pump, and 22% would "definitely not" consider it. One person stated in the qualitative interview, "Do I want to risk something I'm not sure about?", highlighting how even without the barrier of cost, uncertainty towards new technologies was a prevalent obstacle amongst respondents.

A range of sources were trusted to help guide decisions regarding energy efficiency changes; interestingly, almost the same percentage of people would trust an industry expert (e.g. Money Saving Expert) as friends/family/neighbours who had already installed these products, at 88% and 87% respectively. These information sources were viewed as the most trustworthy, even more so than both the government (59%) and local government (61%).

### 4. Though finance is a familiar solution for many households, people are generally averse to taking out finance and will only do so when considered a "necessity"

Though 67% of survey respondents had used it before, predominantly for cars, finance was an unfavoured option for many. However, there was a clear relationship between increased cost and the need for finance, with it being a more favourable option for higher cost measures compared to more affordable changes. 45% of survey respondents would opt for finance for measures costing over £12,000, and 30% would opt for cash. On the flip side, for measures costing up to £4000, 63% of survey respondents would favour cash and only 17% would use finance. Similarly, in the focus groups, once the price points started reaching around £8,000 and particularly into double figures, finance options became more favourable.

### 5. "Pay as you save" and "point of sale" sparked the greatest interest for newer forms of finance, but most would opt for familiar options

Familiar forms of finance, such as credit cards and 0% personal loans, were considered as the best solutions at present for financing home improvements, though there was a preference to save money before undertaking energy efficiency changes rather than taking finance for retrofit. When asked which new finance options would be considered for an energy efficiency project, 43% of survey respondents said they would consider pay as you save.

Furthermore, when the question was framed as if the energy efficiency improvements were mandatory due to government legislation, the most popular form of finance was also "pay as you save" (22%). However, many voiced concerns about regulation, payback, and

expectations of there being caveats. Similarly, many felt unsure about energy as a service, with concerns regarding tie-ins to the provider, though interest was generated if it was presented as a subscription and solution model.

### 6. Younger people tend to be more open to using financing options

There were clear concerns from many with getting into debt, driven by life stage. For example, over 80% of 55+ year olds agreed to the statement in the survey, "I am not comfortable getting into debt in my stage in life". One person said, "It is something I did when I was younger, but now I am unlikely to take out finance", and another claimed, "I wouldn't start borrowing money at this stage in the game". Younger people were more open to newer forms of finance; for example, both energy as a service and Property Linked Finance had the greatest resonance amongst 25-34 year-olds.

### 7. Use of new finance models could be encouraged by government grants, a guaranteed return on investment and low interest rates

Over 60% of survey respondents said that they could be encouraged to use financing options to make energy efficiency changes for the following reasons:

- If you had access to a government grant to fund part or all of the energy efficiency related improvement (65%)
- If it clearly demonstrated how much your energy bills would be reduced by installing the product (64%)
- The offer of 0% interest if you needed to borrow the money (63%)
- If you were guaranteed a return on investment within 5 years (61%)

Overall, multiple layers of uncertainty exist: homeowners are unsure about what actions to take to maximise energy efficiency, and then uncertain about how to finance those actions—ultimately leading to a lack of retrofitting.

## Recommendations

Based on the research findings, we make the following key recommendations:

1. **Reframe retrofit as a priority rather than a "nice to have".**
This could be achieved through communicating the financial and environmental benefits of improving energy efficiency to consumers, which includes the energy cost savings, reduced carbon emissions, and improvements to indoor air quality and temperature. Establishing the potential added monetary value to the property could also influence homeowners to undertake retrofit. However, a voluntary uptake of measures is clearly lacking. The CCC Seventh Carbon Budget highlights that all new and replacement heating systems become low carbon after 2035 – introducing a regulatory timeframe to gradually phase out polluting heating systems and replace these with low-carbon alternatives should be implemented as soon as possible to give consumers and industry a clear signal and enough time to plan and prepare for the change.

2. **Collaborate with industry experts (e.g. Money Saving Expert) when implementing new retrofit finance methods.**
People look for advice from independent experts, and these relationships will be key to help build awareness and confidence in both the domestic energy efficiency and retrofit finance sectors.

3. **Build knowledge, trust and confidence in energy efficiency measures through a government-funded one-stop-shop, where homeowners can access free, independent, personalised advice on energy efficiency improvements and financing options.**
Furthermore, advertising campaigns including more success stories and case studies could provide a useful tool to develop relatable content from both local authorities and national governments.

4. **Offer low/0% interest loans for energy efficiency measures, which will encourage consumers to use financial products rather than relying on savings.**
The results here reinforce the appetite for low-interest loans, as well as loans with flexible repayment options. Raising awareness of the government grants and schemes currently available for energy efficiency measures (e.g. Boiler Upgrade Scheme) should also be prioritised.

5. **Explore new methods of retrofit finance such as energy as a service via more trials and research.**
Further in-depth research is required to assess their potential, especially amongst different groups including young people. For example, heat as a service focusing on delivering the outcome of warmth to a customer on a subscription basis could be trialled.

# Introduction

With one of the oldest and leakiest housing stocks in western Europe,[1] residential buildings were responsible for 14% of the country's total $CO_2$ emissions in 2024.[2]

Though this figure has fallen over the last decade due to the decreased use in solid fossil fuels (e.g. coal) for home heating,[3] greenhouse gas (GHG) emissions from the building sector are heavily influenced by external temperatures which impact total energy demand. The total figure also does not account for electricity used for electric space heaters, which are increasingly being relied upon as the cost of living crisis has become more of an issue (often framed as 'heating or eating').[4] As the UK experiences an increase in extreme weather due to climate change,[5] we must future-proof our residential building stock to both a) be more efficient at heating and cooling, and b) decarbonise the sector to reduce its contribution towards our GHG emissions and climate change.

The Climate Change Committee (CCC) stated in its Seventh Carbon Budget that to achieve net-zero by 2050 via its "Balanced Pathway", improving energy efficiency will account for 10% of emissions reduction in 2040, and that almost all homes will have had to have taken some steps to improve their energy efficiency. This will be primarily through low-cost energy efficiency measures; by the mid-2030s, all homes should have loft insulation or top-up loft insulation, and 87% must have cavity wall insulation.[6] Additionally, under the same scenario, low-carbon heating will need to account for 66% of emissions reduction in 2040, equating to 52% of homes being heated by a heat pump. Annual heat pump installations will need to increase rapidly to nearly 450,000 in 2030 and 1.5 million by 2035 to reach the CCC's recommended targets.[7]

Four out of five homes that will be occupied in 2050 have already been built,[8] and therefore there must be an increased uptake of energy efficiency measures in existing residential buildings. However, despite the CCC's advice outlined above, our progress with retrofitting the UK's residential building stock has been limited. For example, despite last year being the best on record for heat pump installations,[9] we are significantly off-track compared to other EU countries.[10,11] To add to the challenge, public uncertainty over net-zero and the actions needed to meet it is prevalent; for example, in a recent survey by the Social Market Foundation, 63% of respondents thought that the 2050 net-zero target would be "too difficult to achieve".[12] A lack of trust in the insulation industry also exists amongst both homeowners and landlords, which is made worse by uncertainty over where to find information, highlighting how the public are unconfident about making improvements to their home's energy efficiency regardless of motivations.[13]

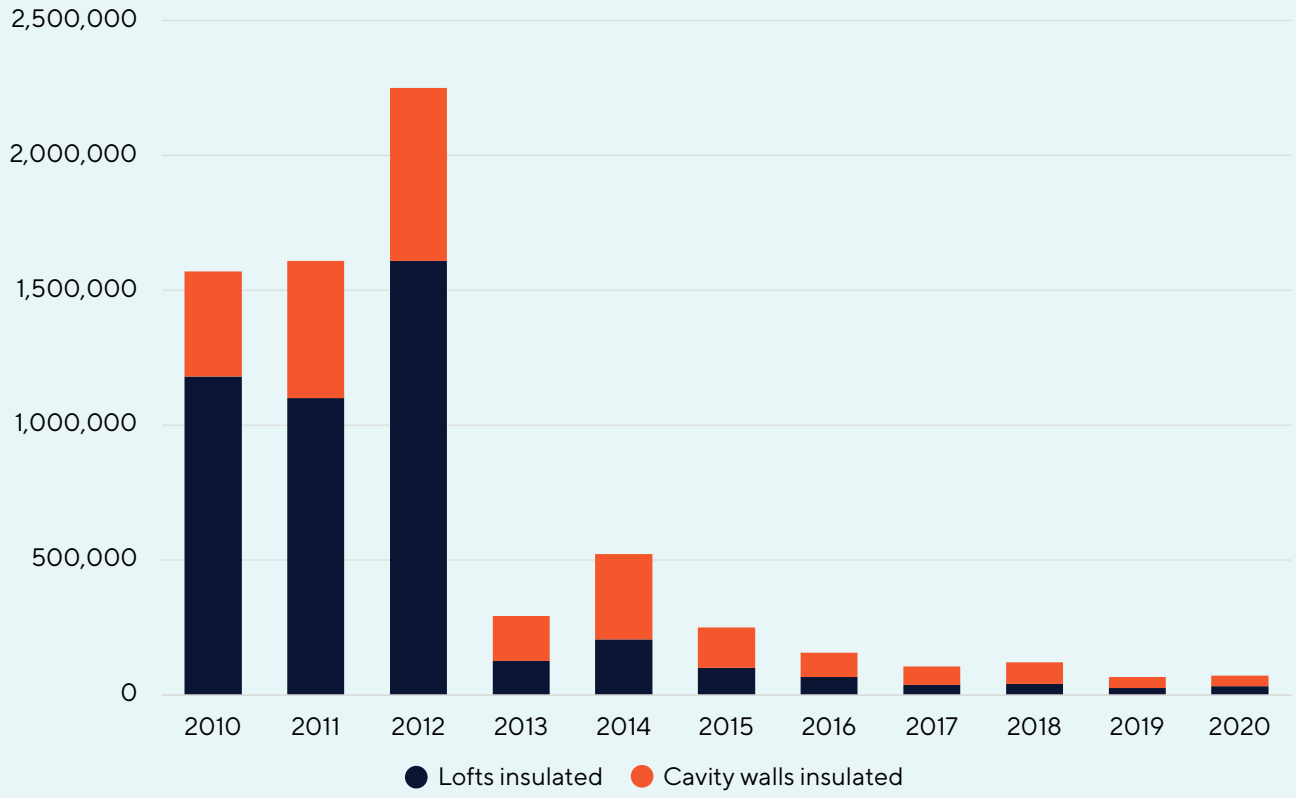
The CCC's "Citizens' Panel on Net Zero" explored the public's views on low-carbon home heating and insulation. It found that while there was a willingness to pursue these measures, this was only if upfront costs are made affordable.[14] This is perhaps unsurprising given that, in 2024, up to a third of adults had either no savings or less than £1,000 in a savings account.[15] Although government grants are currently available to help the public fund some retrofit measures, such as the Boiler Upgrade Scheme that provides grants to support heat pump installations,[16] we cannot finance the decarbonisation of the domestic building sector through public funding alone, and there will need to be a certain level of private investment from homeowners towards upgrading their houses.[17] Given that the average cost of upgrading an English house from the lowest Energy Performance Certificate (EPC) ratings of F or G to an EPC rating C is around £17,000,[18] it is imperative that finance for retrofit is unlocked and becomes normalised for the public to address the issue of affordability.

This report follows on from research conducted by YouGov on behalf of The MCS Foundation indicating that of those homeowners who are planning to make energy efficiency improvements to their home, only around one in five plan to do so using some form of financial product, with the majority relying on savings to pay for the improvements.[19] Furthermore, a focus on single or multiple lower cost measures was indicated, rather than whole house retrofit; most were planning to install less expensive measures such as loft insulation, with over half intending to spend between £0-£5,000 and only 1 in 10 budgeting more than £10,000 for the project. Preference for using savings was also highlighted in a 2025 study, "Rethinking Retrofit", which found that half of the interview sample used some form of savings to fund works, followed by inheritance at 17% and mortgage finance third at 9%.[20]

This report aims to identify current attitudes towards retrofit finance in the UK and provide policy recommendations to help address this issue.

## BOX 1: Wider policy background

*Figure 1 - Number of homes getting insulation each year from 2010-2020. (Source: CarbonBrief)*[21]




Recognising the importance of improving home energy efficiency, successive UK governments have implemented energy efficiency policies since 1994 to help fund retrofit projects.[22] For example, the Carbon Emission Reduction Target (CERT) scheme from 2008–2012 required gas and electricity suppliers to reduce household carbon emissions.[23] This led to a surge in home insulation and delivered 296.9 Mt $CO_2$ of carbon savings.[24]

Despite its success, the scheme was scrapped by the Conservative government in 2013. Analysis from Carbon Brief has shown that the number of homes getting their lofts or cavity walls insulated following its removal plummeted (Figure 1) by 92% and 74% respectively that same year, and in 2023 remained 98% lower than in 2012.[25] Carbon Brief estimates that, had 2012 installation rates continued, an extra 7.9 million lofts and 5.1 million cavity walls would have been insulated by 2023, leaving virtually no homes in the UK untreated. More problematically, they estimate that £22bn has been added to household energy bills since 2015 as a result.

Subsequent energy efficiency schemes have had mixed success, often failing or being withdrawn. For example, the 2013 Green Deal gave homeowners the ability to use savings on their energy bills to pay back the costs of their energy efficient home improvements, with the rule that savings on bills would exceed the cost of the work.[26] This was an example of a "pay as you save" finance mechanism for the able-to-pay market to deliver retrofits without the need for public subsides. Despite the estimation that 14 million homes would be retrofitted (2 million a year) by 2020, only 14,000 were retrofitted using Green Deal finance by the end of March 2016, with the scheme scrapped in July 2015 due to poor uptake as a result of the scheme's high interest rates, resulting in people often paying more interest than they were saving on their energy bills.[27] Similar failures have occurred with the withdrawal of the Green Homes Grant voucher scheme which ran from 2020-2022,[28] and multiple redesigns of the Energy Company Obligation (ECO) scheme,[29] highlighting their ineffective implementation.

Consumers often cite finance as a barrier to making energy efficiency improvements.[30] For example, a Which? survey found that over half (53%) of UK homeowners who looked into insulation from 2018-2023 said that the upfront cost of the work or concern about the payback times was the main reason why they did not proceed.[31] Similarly, a report by Nesta found that cost is the main concern for households with regards to installing energy efficiency measures, with half of respondents agreeing that upfront costs are prohibitively expensive.[32] Nesta also noted the "value-action gap" – 85% agreed that climate change needs addressing, yet only 35% say they have adopted or are planning to adopt energy efficiency and green heating measures soon.[33] Likewise, Which?'s 2024 "Annual Sustainability Report: Home insulation and Heating" found that while many consumers feel a sense of personal responsibility to reduce their environmental impact and are concerned about keeping their homes warm in the winter, cost remains the most common barrier stopping homeowners from insulating further or installing a low carbon heat pump.[34] This highlights that though there is some awareness of the impact of inefficient homes on both the environment and running costs, this does not necessarily translate into action.

There are many factors that influence borrowing[36] behaviour. For example, low-income households are less likely to use consumer credit than those on higher incomes, but more likely to use high-cost lenders when they do borrow, often to make ends meet.[35] It is also known that macro-economic conditions play a major role in shaping people's financial choices; for example, consumer borrowing rises when conditions are good, and credit card design (such as zero-interest offers) encourage borrowing. In 2024, credit cards were the most in-demand credit product, with 49% planning to apply for new ones, while those planning to use 'Buy Now, Pay Later' was 26%.[37] The latter is a commonly misunderstood mechanism; around a fifth of young people understand it to be more of a tax or payment rather than a credit product,[38] highlighting how some financing methods have been marketed in a certain way to appeal to a specific target audience. It also demonstrates how perceptions of financial products can vary between different groups of the population, which will be further explored in this report.

Furthermore, this issue is being compounded by the cost-of-living crisis. In a January 2024 survey,[39] one in seven felt heavily burdened keeping up with their domestic bills and credit commitments, and one in nine had no disposable income. Overall, more than one in four adults reported either not coping financially or finding it difficult to cope. The cost-of-living crisis is changing people's spending habits and priorities, particularly regarding taking out finance; more than a fifth of adults in Great Britain reported borrowing more money or using more credit because of the increased cost of living in 2023.[40]

The Department for Energy Security and Net Zero (DESNZ) has analysed consumer demand for green home finance (GHF) products, identifying that they are motivated by three key factors: 1) the potential to lower bills, 2) the wider benefits such as making the home warm and comfortable, and 3) the longer-term outcomes such as improving property value and helping the environment. They also identified the main barriers to GHF, which included households not being able or willing to take on additional debt, the lack of a wide variety of GHF products available on the market to meet different needs, and GHF innovation being hindered due to uncertainty over levels of consumer demand and future government policies.[41] This was similar to the findings in The MCS Foundation's "Ramping Up Retrofit" report, which found that respondents were either unwilling (23%) or unable to afford (22%) additional borrowing to finance retrofit works.[42]

Nesta's "All the things I could do: financing green home upgrades" 2024 report polled 1000 adults in Wales to understand what motivates people to take out home improvement finance and what people believe about retrofit.[43] The report concluded that a finance product with a low interest rate, which offers flexible repayment terms, is packaged with support, and is backed by government would have a positive effect on uptake. For example, while 62% said that making upgrades is too expensive, 80% agreed that a low interest rate would encourage them to use a financial product. Motivators that would encourage consumers to use GHF for improving energy efficiency are explored in this report, with the aim of providing recommendations for what future GHF products should feature to increase uptake.

Which? highlights that the Warm Homes Plan[44] proposed by the Labour government is a key opportunity to introduce effective financial solutions, alongside good quality independent advice, to overcome the major challenges facing the retrofit sector. Currently, there are some specialist financial products already available, such as certain lenders offering 0% additional borrowing for energy efficiency improvements,[45] as well as more traditional forms of borrowing such as credit cards.

Which? has recommended that the UK government works with the private sector in developing green financial products and new business models that meet consumers' needs and have strong consumer

protections.[46] For example, new GHF methods are being explored, such as Property Linked Finance[47] (PLF) and energy as a service[48] which could provide alternative means of financing energy efficiency improvements beyond traditional borrowing schemes.

What must also be considered here is that home is a place of great emotional significance, and efforts to promote retrofit must go beyond economic incentives to incorporate the complex nature of homes and people's attachments to them.[49] Unlike the thriving home improvement market (£22 bn pa in the UK in 2017-2019), the UK has yet to develop a significant self-funded retrofit sector beyond government grant programmes.[50]

Given the fact that using finance for cars is becoming increasingly common,[51] and around 1.5 million higher education students take out student loans each year,[52] loans for home energy efficiency improvements remain few and far between, suggesting a potential disconnect between people's concept of "home", and the role energy efficiency improvements plays within it.

These points pose the following two key questions – why are levels of home retrofit so low, and for those who are undertaking retrofit, why are they relying on savings for home retrofit rather than taking out loans, when they are comfortable doing the latter for other purposes?

## Study objectives

Though there has been previous research into the barriers to finance, as well as attitudes towards GHF products, the perception of taking out finance for retrofit compared to other purposes (e.g. car loans or kitchen renovations) has not been thoroughly explored. Understanding the financial risk of retrofitting within the broader context of attitudes towards finance could help us identify ways to leverage GHF products to encourage homeowners to finance energy efficiency improvements. At the very least, it can provide insight into the current barriers to GHF and inform strategies to address them. Furthermore, preferences for different forms of financial product have not been established under different scenarios - if energy efficiency improvements were compulsory, for example.

Here, we qualitatively and quantitatively explore homeowners' attitudes towards the following:

- Installing energy efficiency measures in the home.
- Financing in general, including what financial products people either already have, or would consider taking out.
- Using financial products for energy efficiency measures, including in relation to other areas e.g. home improvement loans.
- Different financial products, including mortgages, unsecured loans, point of sale finance, leasing, pay as you save, energy as a service, and PLF.

It is hoped that the research will create insights into the challenges of making our homes "fit for the future", and how we may shift the dial on financing retrofit in the UK.

# Methods

The research was conducted in two phases. Firstly, four qualitative video focus groups were undertaken. Each group had 5-6 homeowners across various life stages: 1x Pre-Family (age 25-39), 2x Family (age 30-54), and 1x Empty Nester/Retired (age 55-70). Each session lasted 90 minutes, and relevant information was provided to prompt discussion. All participants adhered to the following criteria:

- **All own their property (with or without a mortgage)**
- **All would consider making home improvements to improve energy efficiency**
- **Mixed levels of willingness to consider finance for energy efficient home improvements**

Secondly, quantitative research was undertaken to provide measurements of behaviour and attitudes within a cross-section of the addressable market. 1,000 10-minute online surveys were conducted, with each participant adhering to the following criteria:

- **UK Adults aged 18+**
- **All own their property (with or without a mortgage)**
- **All would consider making home improvements to improve energy efficiency**
- **Natural fall out of demographics to reflect the market**

A number of finance options were tested with consumers, as displayed in Table 1:

***Table 1*** *- Definitions of finance methods provided in the study.*

| Finance method | Definition |
|---|---|
| Mortgage | Borrowing money from a lender for a property. |
| Unsecured loans | The loan is not secured against the property. |
| Point-of-Sale Finance | Allows the measure to be paid over time (e.g. Buy Now, Pay Later). |
| Leasing | Allows something to be rented over a set period of time. |
| Pay as you save | Paying the cost of the measures with savings accrued after installation rather than upfront. |
| Energy as a service | Business model that provides energy to customers on a subscription basis. |
| Property Linked Finance (PLF) | Loan agreement is attached to the property rather than the individual and transferred to the new owner when sold. |

# Results

## BOX 2: Focus group case studies

The following case studies spotlight three focus group participants whose quotes appear throughout this section of the report.* They outline their household circumstances, consideration of retrofit options and opinions on using finance.

**Davina** (Age: 34) **- Would like to replace the double glazing and potentially get a heat pump**

Living in a London terraced house, Davina sees her home as a space for self-expression and hospitality. She is currently undertaking structural and extension work on the property and wants to make her home more energy efficient - but finds the process overwhelming.

She's interested in replacing her broken double glazing and possibly installing a heat pump in the new extension. Davina has been advised against solar panels as it would mess up her new roof; she thinks London isn't sunny enough to have them and doesn't know anyone else who has them. She also doesn't think she would have room for batteries.

Davina is very open to finance, especially interest-free options, but is wary of having multiple monthly payments. She's aware of heat pump grants but finds the process unclear and doubts her eligibility. Property Linked Finance appeals somewhat but raises concerns if she chooses to sell.

**Alison** (Age: 44) **- Would like to improve the insulation of the house to make it warmer**

Alison, a busy mum of three in County Durham, views her home as a calm sanctuary. Her house is old, cold and poorly insulated, and she can't yet afford to upgrade windows and doors. Alison would like to replace the double glazing and improve the insulation of the house to make it warmer.

She has solar panels but doesn't think they were worth the money; she's had issues with pigeons nesting underneath them, finds them unattractive, and thinks that the North-East doesn't get enough sun for them to work properly. She's considered loft insulation but has previously had poor experience with cavity wall insulation.

Alison uses finance a lot but is worried about being in a 'rat race' with paying off finances. Alison struggles to understand how anyone would pay for the retrofit options without using finance. She would like an incentive to make retrofit improvements, such as £20 off her energy bills, or allowing fluctuations to the size on monthly payments. She would have liked to have seen the pay as you save option when she bought her solar panels. She's open to mortgage borrowing, but only if it adds home value.

**Derek** (Age: 62) **- Would like to improve the EPC rating, and is considering solar-panels and a heat-pump**

Retired in Southampton, Derek enjoys gardening and feels settled in his forever home. Having made aesthetic changes, he's now thinking about energy efficiency improvements for financial reasons. He's already installed loft/cavity insulation and double glazing, earning an EPC B rating, but thinks it could be higher. He's researched and considered solar and heat pumps but feels the cons outweigh the pros.

He has looked to Martin Lewis and Octopus for heat pump ideas, but thinks the cost is unjustifiable. Derek thinks a heat-pump would have to work longer and harder to get his house to the same temperature his gas boiler can.

Derek is keen on investments; however, he read on Martin Lewis that it takes 11 years for solar panels to 'break even' so would rather keep that money invested elsewhere. Though open to finance options, as long as there is zero interest, he feels many of the retrofit options financially underwhelming and wants clear, tangible returns — like those he sees from owning an electric car. He would also want to see the 'small print' on the finance options, such as pay as you save.

*Names have been changed to anonymise participants.

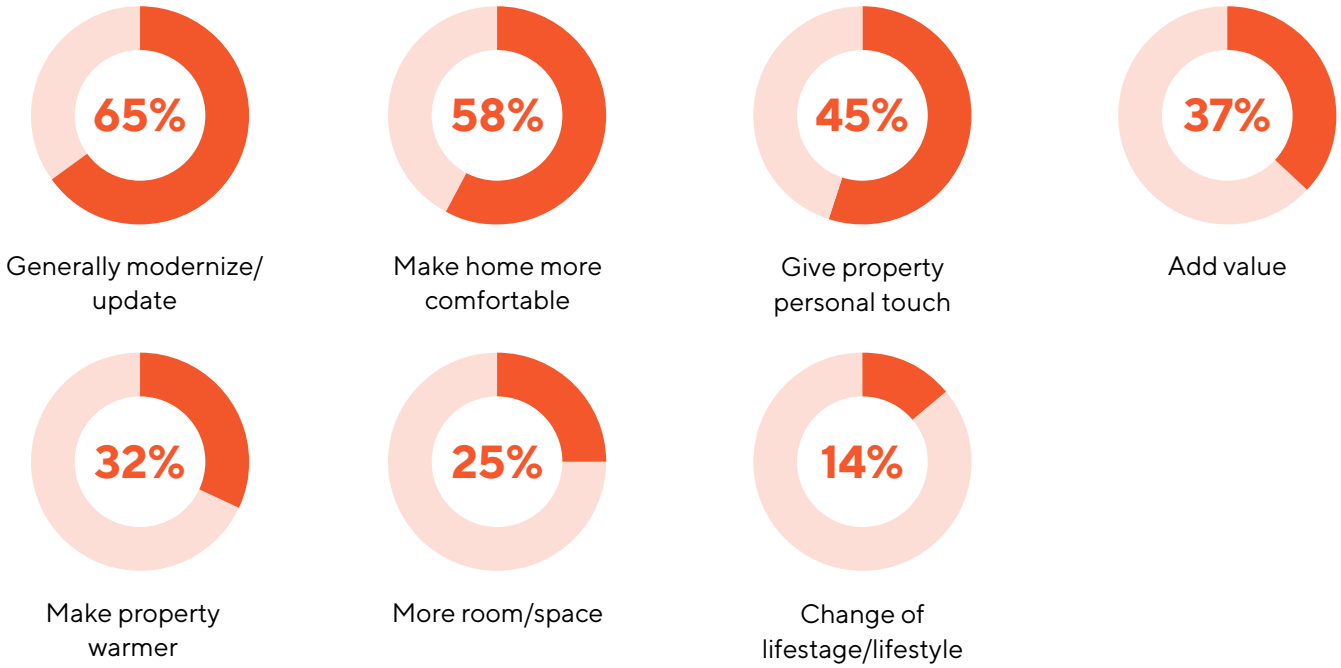
## People are emotionally attached to their homes, but this doesn't necessarily translate into energy efficiency measures

*"All I want to do is make my home warmer in the winter"*

***Alison***

In the focus groups, there were several common themes that participants attached to their homes. Most were looking to upgrade and modernise their homes, and many talked excitedly about the changes they had made and planned to make. "Comfort" and "sanctuary" were referenced, and the winter season was associated as a time when the home both comes into its own as well as when deficiencies in the property are usually brought into the sharpest focus. This was re-iterated by the survey respondents, where 93% agreed to the statement, "being warm and cozy in my home is a priority", and 94% agreeing, "my home is my sanctuary - somewhere I feel happy and content and can switch off from the rest of the world". The reasons that made or would make the survey respondents undertake home improvements are shown in Figure 2 - modernisation was the most popular answer, whereas only 32% answered "to make the property warmer". Aesthetic changes such as decorating, conversions and kitchens were frequently referenced in the focus groups, indicating how personalisation is a key factor when undertaking home improvements.

***Figure 2*** *- "Thinking more generally about home improvements which of the following have you recently made or are planning to make in the near future?" (%). All respondents (n = 1,000).*




These results highlight how "home" should not only be considered as a physical dwelling, but individualism and emotional connections must also be understood because they play a significant role in influencing people's attitudes, perceptions and decisions. Recent research has addressed the significance of integrating both emotional and cognitive reasoning (e.g. happiness, identity and resilience) to motivate homeowners to adopt energy retrofits, moving beyond traditional economic and technical considerations (e.g. cost savings).[53] The research proposes the use of a "HCF" framework – Home for the Common Future – to promote energy retrofit, encompassing emotional aspects ("Happiness in everyday life, Caring identity, Future-resilience") as well as cognitive aspects ("Health and wellbeing, Climate concerns, Financial considerations"). Understanding the diverse benefits of low-carbon dwellings through both emotional and cognitive lenses could lead to more effective energy policies and strategies.

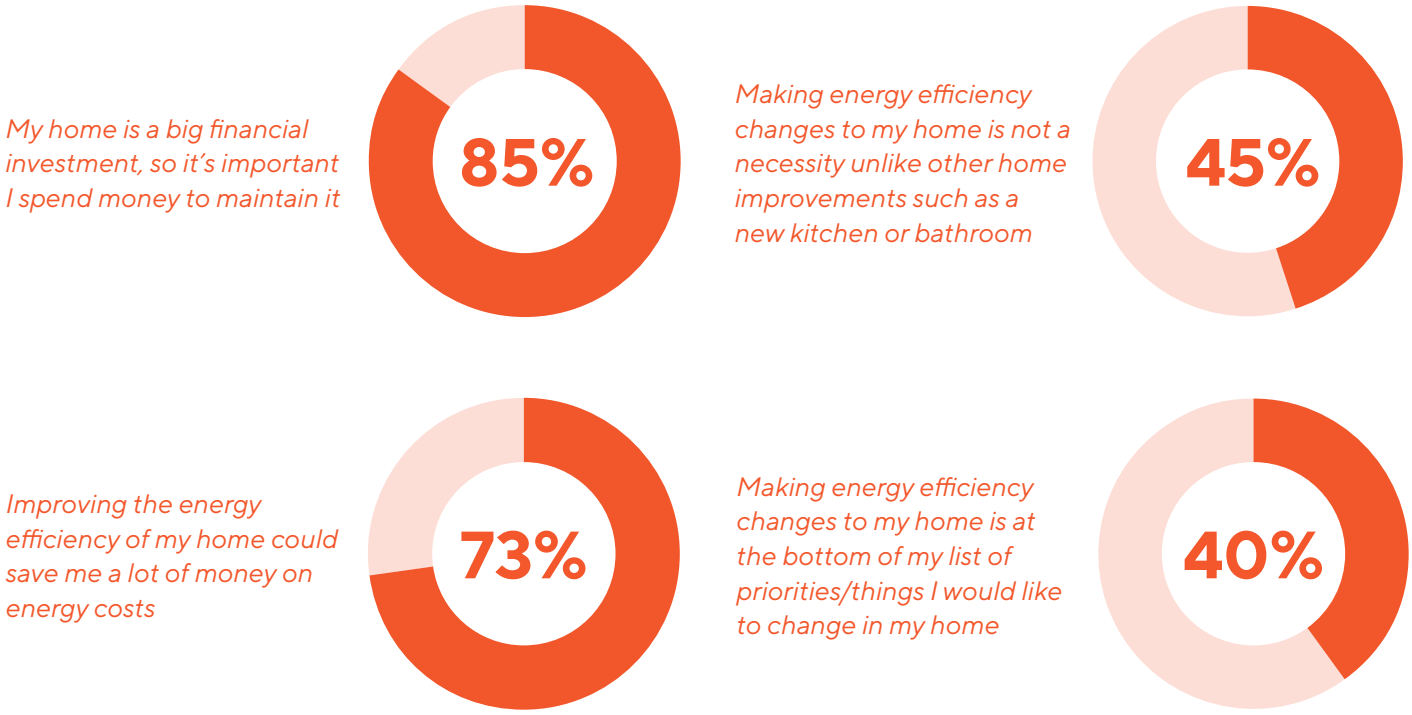
***Before and after*** *- Skipton Building Society's 'The Big Retrofit' project,[54] opposite their head office in Yorkshire – a mid-size, 1930s detached property. Over a 12-week period in 2024, to learn extensively about retrofit, Skipton retrofitted this property, including installing an air source heat pump, solar panels, battery storage, triple glazing, and cavity wall insulation. One of their key findings was that retrofitting can have health benefits, with the upgraded property feeling more comfortable than before.*


## Installing energy efficiency measures is not viewed as a priority for many despite a general awareness of potential cost savings

The survey asked respondents to what extent they agreed with a series of statements about making energy efficiency changes to the home. The results (Figure 3) highlight that though there is a general awareness of the financial benefits of improving the energy efficiency of the home, a large portion of respondents agreed to the statement that these changes are not a priority compared to other home improvements. Similarly, one (Pre-Family) respondent said in the focus groups that they had "So much to do...I mean these things [energy efficiency changes] just aren't a necessity are they." This suggests that for many, energy efficiency changes are viewed as a "nice to have" rather than an essential home improvement.

***Figure 3*** *- "Below are some statements that other people have made about spending money on making such home improvements. To what extent do you agree or disagree with each of them?" Figure shows % of respondents who either strongly agreed or slightly agreed to each statement. All respondents (n = 1,000).*

**Net agree (%)**

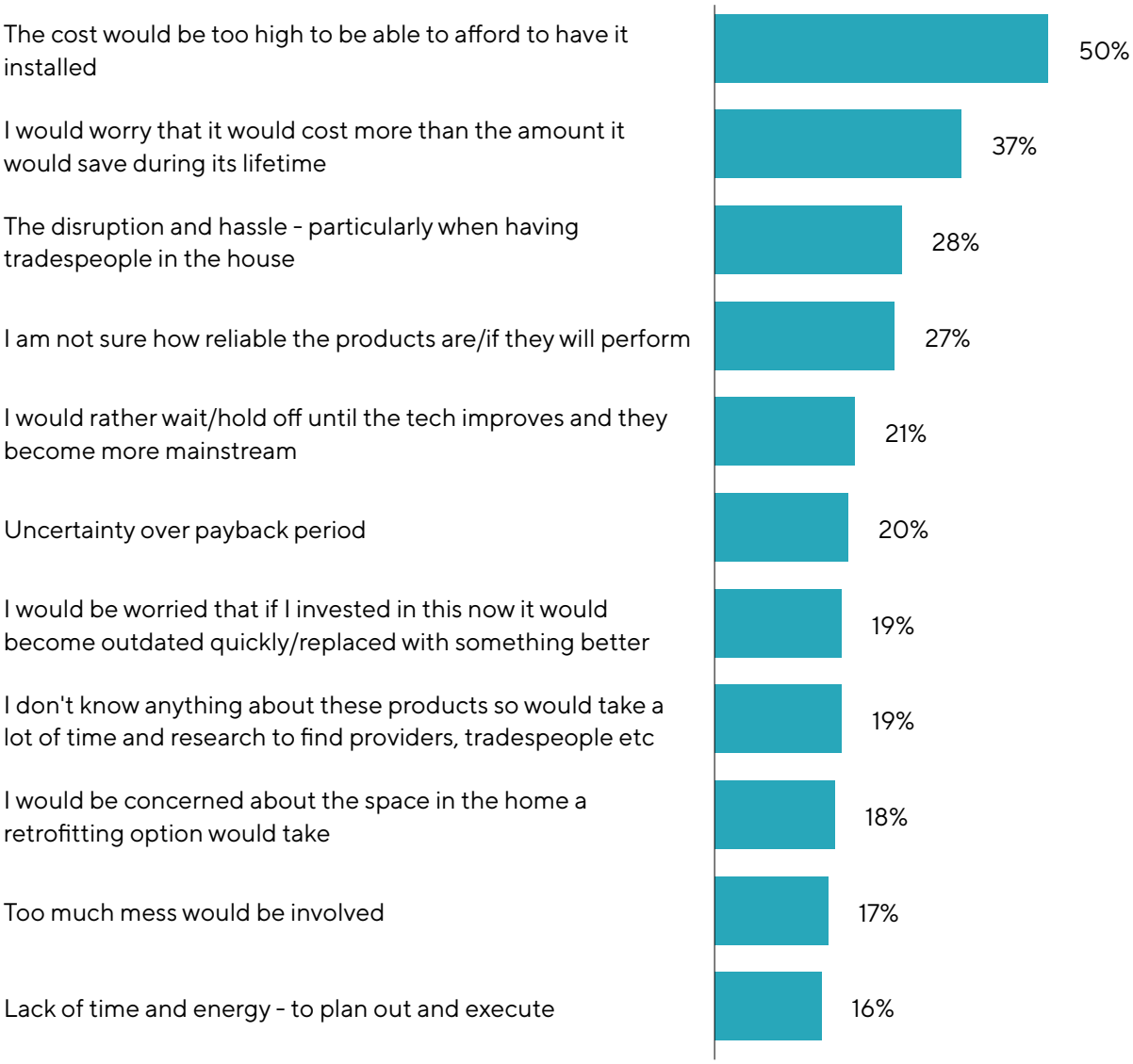


*Looking at the calculations [for a heat pump], it will take quite a long time to break even*

***Derek***

However, despite the evident awareness of the financial benefits of improving the energy efficiency of homes, cost was the biggest barrier to installing them, with half of survey respondents ranking this as the top barrier (Figure 4). The second biggest barrier was concern that it would cost more than the amount it would save during its lifetime (37%). In the focus groups, the cost of running and maintaining homes was flagged as often being at the top of participants' minds. Other key barriers noted in the survey were the disruption and hassle (particularly when having tradespeople in the house) and being unsure about how reliable the products are/if they will perform. This was a theme present in the focus groups, which noted the cost, knowledge of performance/ bad experience and concern about the technology becoming obsolete. One (Family) respondent stated, "heat pumps are more than I anticipated", and another (Family) said, "technology changes so quick now … you're almost waiting 5 years to see if there's any teething issues."

***Figure 4*** *- "What barriers are there to making energy efficiency changes to your home?" (%). All respondents (n = 1,000).*



*"If someone came to me and said I can stop your draughts... I'd think, yeah, I'm in"*

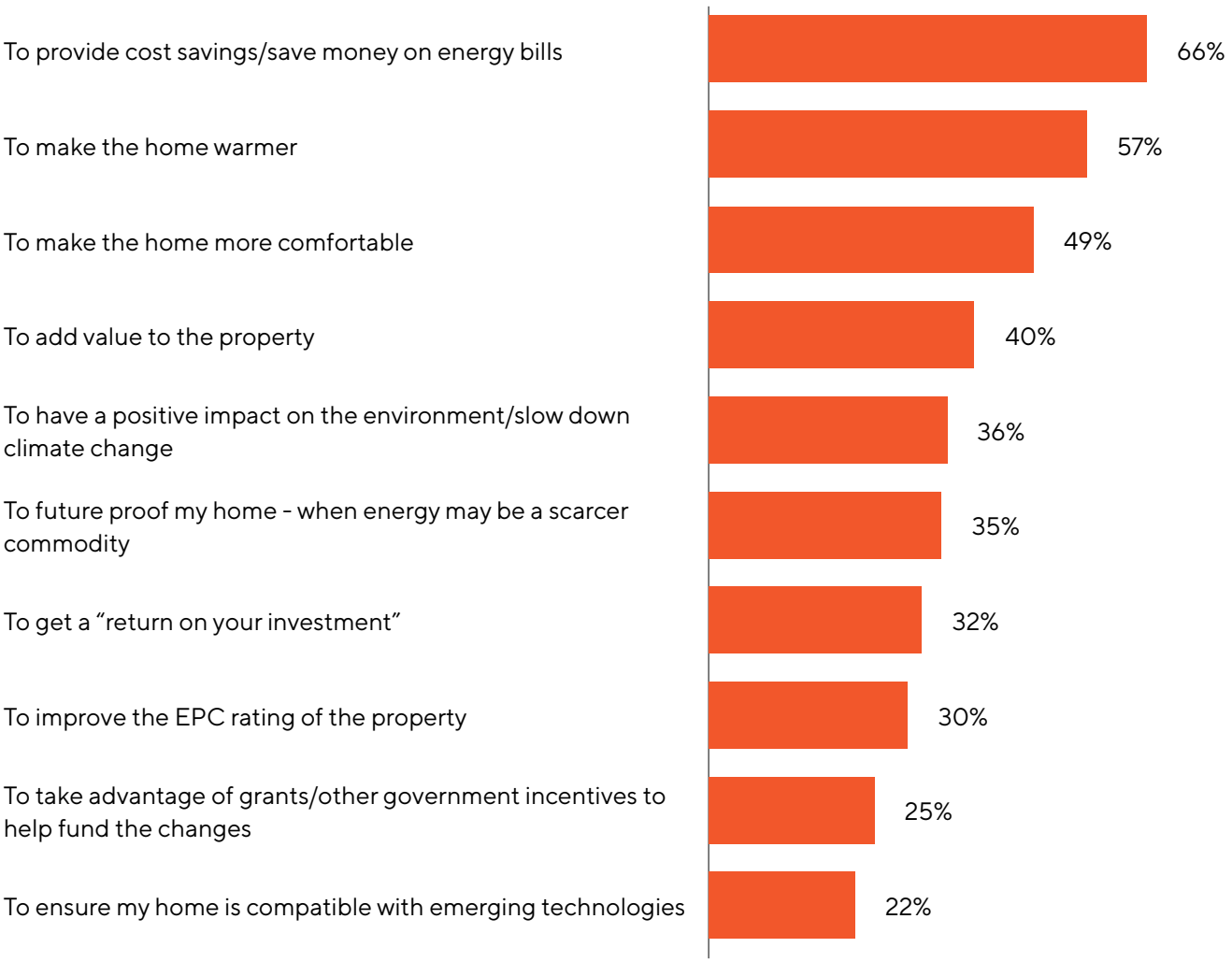
***Alison***

*"We've done the easier things, so now it's looking at the potentially harder and more expensive things. Is it worth it type debate"*

***Derek***

The top four survey results to the question, "What would encourage you to make energy efficiency changes to your home?" were a mix of practical and emotional drivers (Figure 5). Although some recognised the effectiveness of the technology sitting behind energy efficient products, most wanted to know that the energy efficiency measures would make their home warm and/or add value to the property. Focus group participants stressed the importance of cost savings, adding value to the home, and future proofing - the environmental benefit was a bonus. This is consistent with the results from The MCS Foundation's "Ramping Up Retrofit" report, where the YouGov survey found that reducing energy bills and making the house most comfortable were the two main motivations, but reducing carbon emissions was much lower.[55]

***Figure 5*** *- What would be the main reasons that would encourage you to make energy efficiency changes to your home?" (%). All respondents (n = 1,000).*



## Awareness, knowledge and trust in energy efficiency measures is limited

*"Our gas boiler only just gets the house warm as it is"*

***Derek***

*"I'm not going to spend twice the amount of money to get an inferior outcome"*

***Derek***

*"Is it [solar PV] really something that is going to make a difference, maybe if I was on the South coast I'd feel differently about it"*

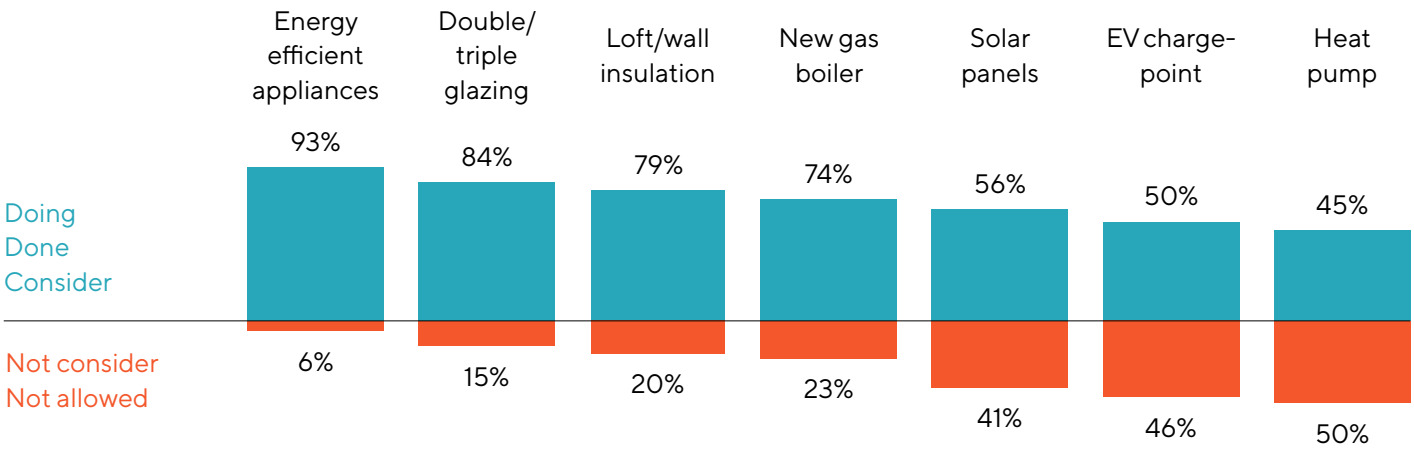
***Davina***

Most of the focus group participants had considered some form of energy efficiency changes to their home, and a few had already invested in solar panels, insulation and energy efficient lighting. However, the consideration of different technologies varied significantly. The most popular choice was energy efficient appliances, with 93% of respondents either having already installed them, planning to install them soon, or considering their installation (Figure 6). The most popular option that respondents had already installed was double/triple glazing and loft/wall insulation, at 40% and 39% respectively.

On the other end of the spectrum, heat pumps were not a consideration for many, with 22% definitely not considering installing one, and a further 22% probably not considering installing one. This was even despite the framing of the question, "assuming you could afford each of them." One (Family) participant stated in the focus group, "Do I want to risk something I'm not sure about?", highlighting how even without the barrier of cost, uncertainty towards new technologies was a prevalent obstacle amongst respondents. This uncertainty was also highlighted by a (Pre-Family) respondent, who stated, "You know about windows...you know they aren't going to be out of date all of a sudden."

These results suggest that some homeowners are reluctant to pursue methods of improving energy efficiency such as installing heat pumps, even when removing cost as a barrier. This indicates that a key challenge in encouraging the uptake of financing for retrofitting is a lack of trust in the measures and technologies involved in the first place. It raises a broader issue within the retrofit space established in The MCS Foundation's "Ramping up Retrofit" report;[56] homeowners need more direct support from the government to help establish what energy efficiency methods would be worth installing, and there is potential demand for one-stop-shop models to provide retrofit support services. Both local authorities and national governments have the potential to provide clear and consistent messaging on the importance and benefits of retrofit, as policies around financial incentives are not sufficient alone.[57]

***Figure 6*** *–"Which of the following best apply to you in terms of new improvements to your home, assuming you could afford each of them?" (%). Missing %s are "don't know" responses. All respondents (n = 1,000).**



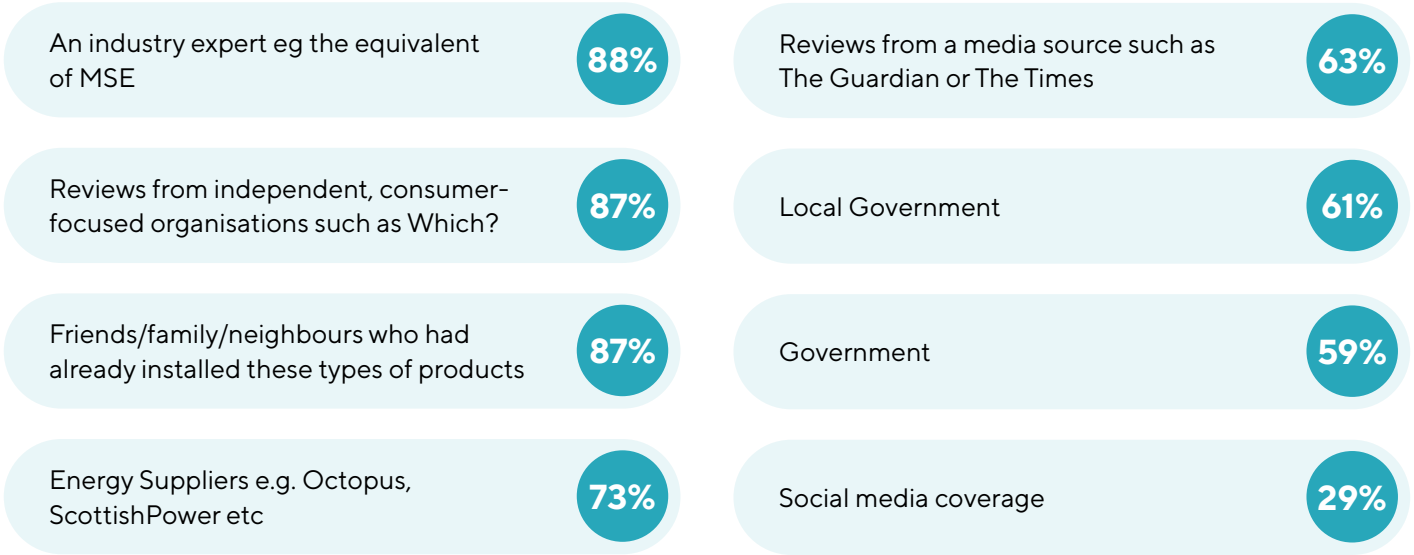

*Note that respondents had to be open to at least one of the newer energy efficiency changes (double glazing, insulation, solar PV and heat pumps) to continue with the survey.

In terms of knowledge about energy efficiency measures and potential suppliers, 64% of respondents agreed with the statement, "I feel I have a good understanding of the different types of energy efficiency changes I could make to my home", while 62% agreed with, "I feel confident that I can find reliable suppliers to use when making improvements to the energy efficiency of my home". These results suggest that homeowners generally feel confident in both their knowledge of potential improvements and in accessing suppliers, indicating that this may not be a barrier to the uptake of energy efficiency measures for many. However, these results would have been influenced by the selection process of the methodology, where only participants who were open to undertaking home improvements to improve energy efficiency were included. As a result, individuals with little or no knowledge in this area may have been excluded. This also explains the heat pump "installed" result, which was 7%, above the UK average of 1%.[58]

A range of sources were trusted to help guide decisions regarding energy efficiency changes; interestingly, almost the same percentage of people would trust an industry expert (e.g. Money Saving Expert) and friends/family/neighbours who had already installed these products, at 88% and 87% respectively (Figure 7). These information sources were viewed as more trustworthy compared to both the government (59%) and local government (61%). Trust in government was a higher than anticipated result, given that the approval rating for government information on heat pumps in the Social Market Survey report was 14%.[59] However, this was referring to heat pumps only, not other methods of energy efficiency, again highlighting that confidence in different sources of information varies.

***Figure 7*** *– "To what extent would you trust each of the following to provide you with information to help you make a decision regarding energy efficiency changes to your home?" Figure shows % of respondents who either fully trusted or would potentially trust each source. All respondents (n =1,000).*

**Net trustworthy (%)**




In the focus groups, independent experts and friends/family were the most referenced trusted sources of information. This highlights how there are a number of trusted avenues available through which information on finance products could be delivered. This is especially important if consumers are expected to take out loans to fund these projects; they must be able to trust that the information they're provided with and the measures they're investing in will produce intended outcomes.

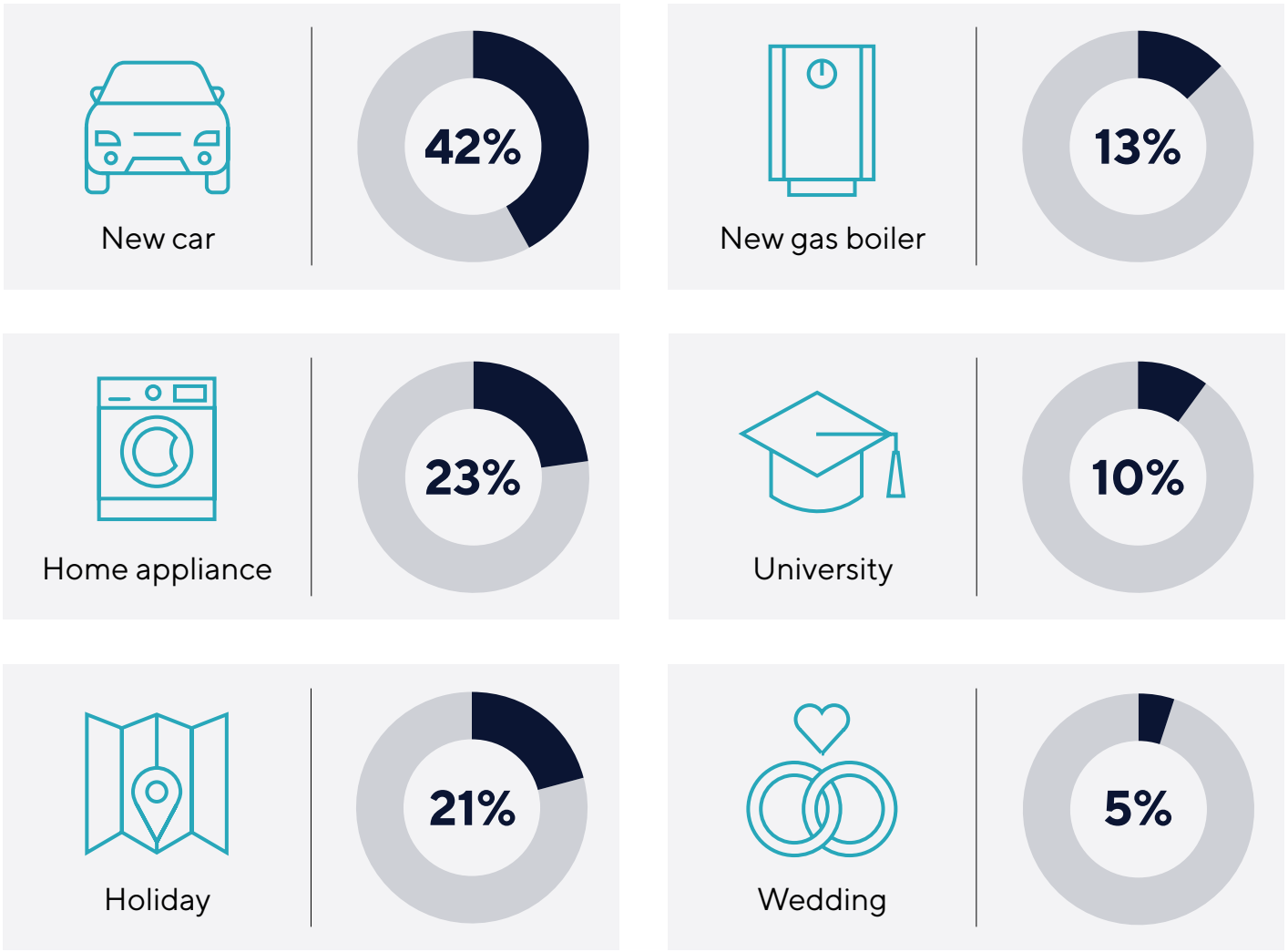
## Though finance is a familiar solution for many households, people are generally averse to taking out finance and will only do so when considered a "necessity"

*"After 2 or 3 years of continuously paying and all these amounts coming out of your account, it does become a bit overwhelming and burdensome"*

***Davina***

Taking out finance was established as a familiar solution for many households, with 67% of survey respondents having used it before. More specifically, when asked what purchases and/or investments the respondents had used in the past, a new car was the top answer (42%) (Figure 8). This was also explored in the focus groups, where cars, white goods and sofas were the predominant previous purchases using finance, and reasons for taking the finance mainly being due to a of lack of savings, to spread out the cost, and because it was deemed as a necessity. One participant said, "I really needed to make that purchase so I took the finance" and another that they "couldn't afford [it] otherwise." Figure 4 shows that 20% of the survey respondents agreed that the payback period was a barrier to making energy efficiency improvements, which poses the question – is the same concern about payback applicable to purchases where people are comfortable with taking out finance, such as cars? However, other focus group participants were uncomfortable with taking out finance completely, with concerns about committing to finance options and not being able to pay instalments in the future if circumstances change.

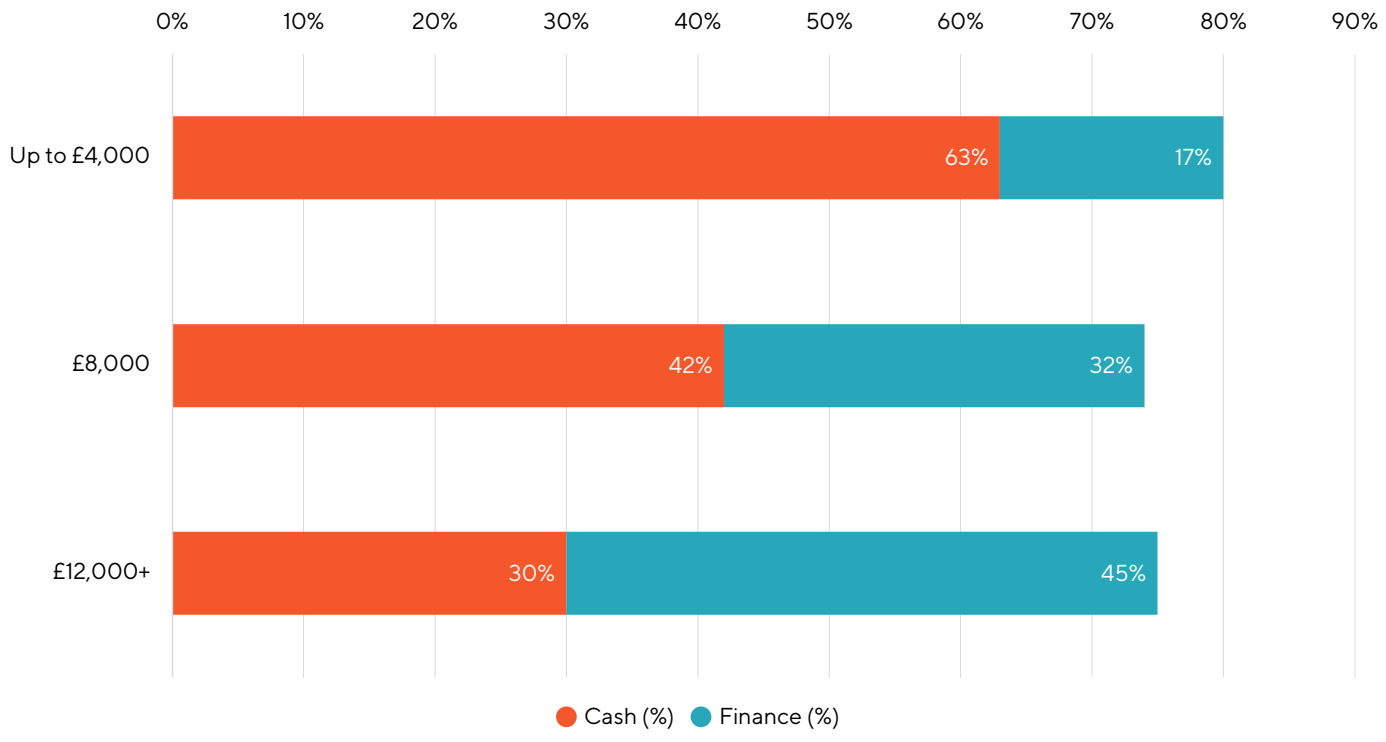
***Figure 8*** *– "What purchases and/or investments have you used finance for in the past?" (%). All respondents (n = 1,000).*



Taking out finance for retrofit was not a comfortable option for many of the focus group participants, with most preferring to use savings. Echoing The MCS Foundation's "Ramping up Retrofit" report,[60] the focus groups indicated that there was a clear relationship between increased cost and the need for taking out finance, and that smaller price points (e.g. loft and cavity wall insulation) are more likely to be paid outright via savings. Once the price points started reaching around £8,000 and particularly into double figures, finance options became more appropriate. This was similar to the survey outcomes, with £12,000 being the tipping point in favour of finance and consumers less willing to deplete savings for a home improvement project. 45% would opt for finance for measures costing over £12,000, and 30% would opt for cash. For lower value measures costing up to £4,000, 63% would favour cash and only 17% would opt for taking finance (Figure 9).

The missing data from Figure 9 shows how there was also a proportion of people who were unsure about how they would fund a home improvement project regardless of its cost, even despite the framing of the question, "assuming all finance options were available to you?". This highlights how people are unsure about taking out finance and seem to predominantly do so when they consider it necessary – such as when justifying the need for a car, as outlined above. It also raises the question of why people are comfortable with taking out finance for a car, which instantly depreciates in value, compared to energy efficiency improvements, which add value to the property.[61] As established in the previous section, energy efficiency measures are not viewed as a priority. To frame retrofit as a necessary rather than a "nice to have", mandating policies such as a fossil fuel-based heating system phase out date, as recommended by the CCC,[62] would show consumers that prioritising energy efficiency improvements is a well-informed decision.

***Figure 9** – "If a home improvement project was costed at each of the options below, how would you be likely to fund it, assuming all finance options were all available to you?" (%). Missing %s are "don't know" responses. All respondents (n = 1,000).*



## "Pay as you save" and "point of sale" sparked the greatest interest for newer forms of finance, but most would opt for familiar options

***Figure 10*** *– "Which of the following financing options would you consider to fund each of these home improvements?" "And how much finance would you be willing to take out for the types of home improvement just mentioned?" (%). All respondents (n = 1,000).*

| Home Improvement | % Cash | % Finance | % Would Not Undertake | Top 2 Finance Options | Mean Finance Amount Considered |
|---|---|---|---|---|---|
| New kitchen or bedroom | 55% | 37% | 12% | Personal loan 15%<br>Credit card 14% | £11,280 |
| Extension, conservatory, outside workspace | 37% | 35% | 31% | Personal loan 12%<br>Mortgage 12% | £16,350 |
| Conversion (e.g. loft or garage) | 36% | 31% | 34% | Personal loan 11%<br>Mortgage 10% | £16,210 |
| More expensive energy efficiency measures | 32% | 31% | 30% | Credit card 12%<br>Personal loan 11% | £12,570 |
| Cheaper energy efficiency measures | 53% | 30% | 15% | Credit card 13%<br>Personal loan 11% | £8,260 |
| Decorating and décor changes | 75% | 25% | 5% | Credit card 17%<br>Personal loan 5% | £8,430 |

For the survey respondents who answered that they would be open to installing a new kitchen or bathroom, 37% would consider finance to fund it and 55% would use cash (Figure 10). Only 12% of respondents answered that they would not undertake this type of home improvement. This was similar to the results for the cheaper energy efficiency measures, though less would consider taking finance here, at 30%. These results once again suggest that for these measures, most people are clearly resistant to taking out finance at present and would rather use cash. For more expensive energy efficiency methods, 30% answered they would not undertake the changes, and for those who would, 32% would consider using cash and 31% would consider using financing.

The mean amount of finance that respondents were willing to take out for the different types of home improvements varied, with the highest being for an "extension, conservatory, outside workspace" at £16,350. It was evident from both the focus groups and surveys that consumers are likely to turn to familiar forms of financial product, rather than newer methods, such as PLF. For example, the top methods considered for home improvements were personal loans, credit cards, and mortgages. For a new kitchen or bathroom, 15% of respondents opted for a personal loan, and 14% for a credit card. Focus group participants voiced concerns surrounding retrofit finance, with respondents not perceiving it as a comfortable option. Borrowing from parents (Pre-Family) and familiar forms of finance, namely credit cards and personal loans at 0% or very low interest rates, were considered as the best solutions at present for funding retrofit, consistent with findings from previous research.[63,64]

***Figure 11*** *– "We would now like you to review the following finance options and indicate which you may consider if financing a project in order to improve the energy efficiency of your home." "Now please imagine a situation where government legislation means that you were required to make home improvements to improve energy efficiency immediately." (%). Missing %s are "don't know" responses. All respondents (n = 1,000).*

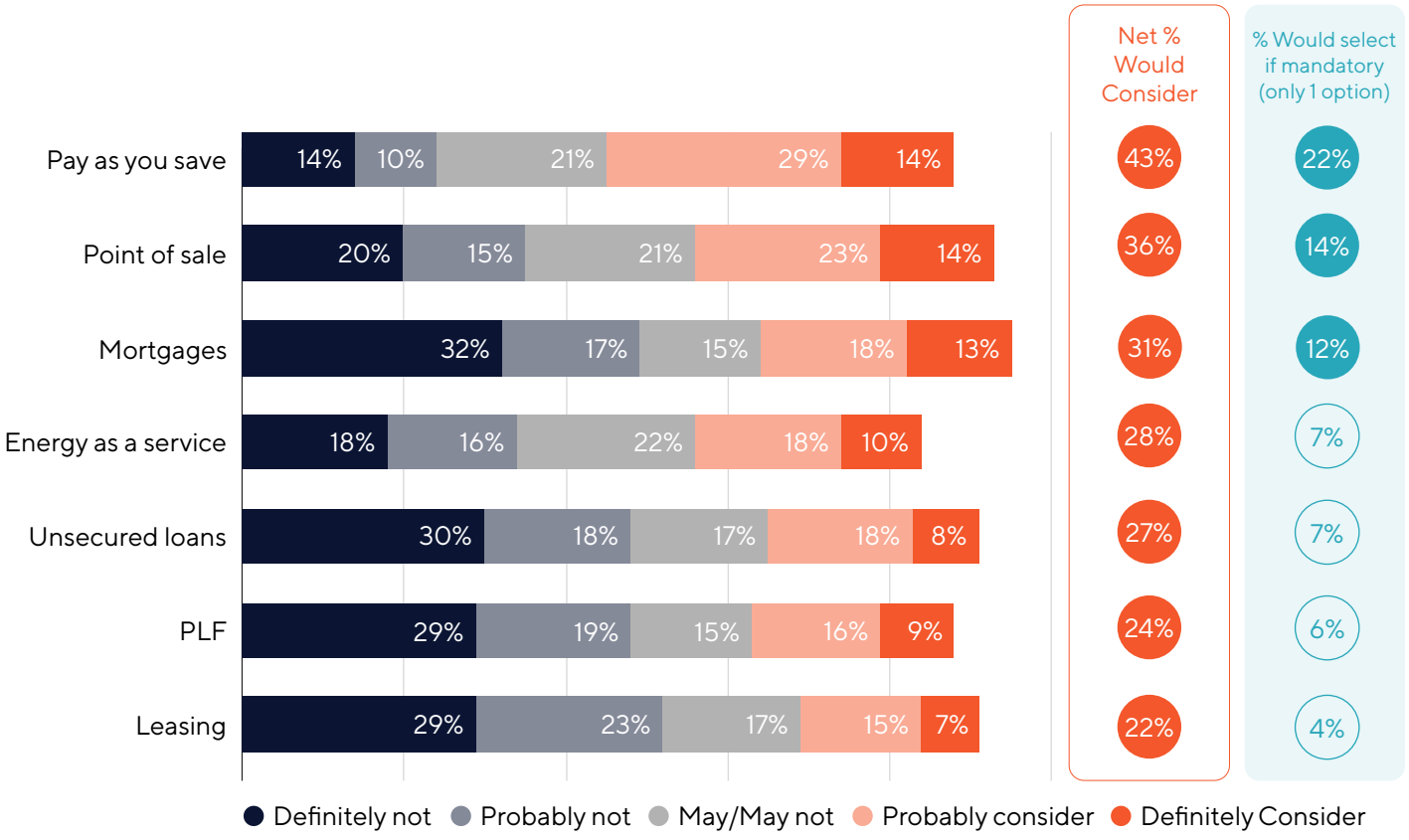



Figure 11 presents the survey respondents' consideration of the different financial products outlined in Table 1. When asked which finance options would be considered for an energy efficiency project, 29% said they would probably consider pay as you save, and 14% said they would definitely consider it. When the question was framed as if the energy efficiency improvements were mandatory, the most popular form of finance was also pay as you save (22%). In fact, it was more popular than more traditional methods of finance including mortgages and leasing with regards to making energy efficiency changes. Though not a traditional form of finance compared to these, the pay as you save concept has been around for over a decade,[65,66] and familiarity was evident in the focus groups likely because it was referred to as "the student loan method" which many participants were aware of.

Recent research has found that pay as you save can significantly reduce energy usage,[67] which would be a double win for both energy costs and demand on the grid. However, despite pay as you save sparking interest in the focus groups, many voiced concerns surrounding regulation, payback, and expectations of there being caveats. One (Pre-family) respondent said "How is that actually regulated?... Feels like there'd be a caveat with that [pay as you save]". Pay as you save appealed most to those who had answered previously that they were not comfortable with using finance, with 28% of those respondents opting for it, suggesting that it could be a potential option to target consumers who have not taken finance before.

Point of sale (described as the 'Buy Now, Pay Later' method) was the second most popular choice of finance. One person said, "I am used to using 'Buy Now, Pay Later' and am comfortable using this kind of finance". This is becoming an increasingly common way of making purchases, and therefore a higher awareness to begin with may have led to these results. 28% of survey respondents answered that they would consider energy as a service. In the focus groups, many felt unsure about it, with concerns regarding tie-ins to the provider, however, interest was generated if presented as a subscription and solution model. This is where customers can pay for outcomes, such as maintaining a desired indoor temperature (heat as a service).[68] It can also encompass services such as finance for low-carbon heating systems, equipment and optimisation, energy efficiency upgrades, or a combination of these.[69] The energy as a service model is not a currently widespread method of finance, however, trials are currently underway to explore this further.[70] The results here indicate that energy as a service, point of sale and pay as you save spark interest among consumers, highlighting the need for further study to assess their viability more thoroughly.

PLF was also explored as a new method of financing. While there was interest in the idea of PLF, respondents were reluctant to risk a new product that they weren't familiar with. In the focus groups, one participant voiced concerns of selling the property if PLF had been undertaken, labelling it as a "disincentive". Just 4% of survey respondents would consider PLF for installing cheaper energy efficiency measures, compared to 13% opting for a credit card (the top finance method considered) (Figure 10). This increased to 6% for PLF for more expensive energy efficiency measures, though credit card remained the most popular at 12%. Despite 24% answering that they would consider PLF for financing an energy efficiency project, 29% of respondents said that they would "definitely not" consider it, and if the energy efficiency improvements were made mandatory, only 6% would choose this option.

The research here revealed that whilst there was interest in the different GHF methods, there was also a general lack of awareness as well as a high proportion of people who would not consider the financial products. Due to time constraints of the focus groups and the survey, further detail on these new finance models were not provided, and instead a high-level definition was used (Table 1). A deeper dive into homeowner perceptions of these financial models would provide greater insight into their future viability.

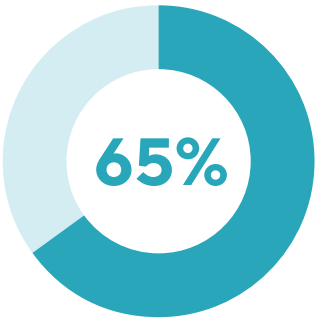
## Younger people tend to be more open to using financing options

Confidence and knowledge about energy efficiency varied across different demographic groups. For example, in the survey, males and younger consumers (18-34) were more likely to agree with the statements such as, "I feel I have a good understanding of the different types of energy efficiency changes I could make to my home", and, "I feel confident that I can find reliable suppliers to use when making improvements to the energy efficiency of my home".

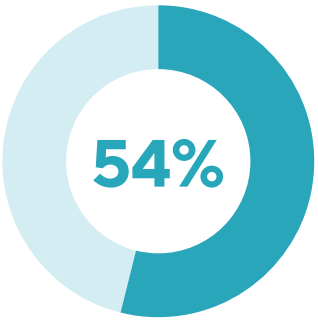
Figure 12 illustrates how various scenarios would influence respondents' willingness to make energy efficiency changes. Younger consumers (<45 years) were more likely to respond favourably to all messages, indicating a greater openness to adopting such measures. The top answer, adding value to the property, was a key theme among the Pre-Family focus group participants - which is unsurprising given the fact that younger age groups are more likely to sell their property and move house.[71]

***Figure 12** – "Would any of the following encourage you to make energy efficiency changes in your home?" (%). All respondents (n = 1,000).*

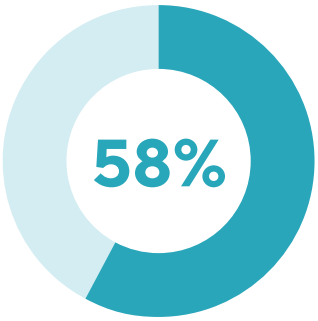
If the value of your property was improved as a result of making the energy efficiency improvement



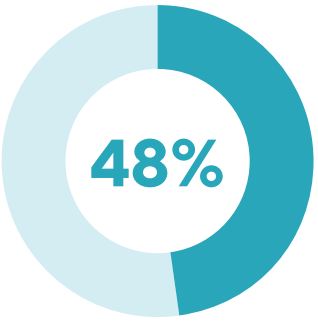

If the EPC rating of your property was improved as a result of making the energy efficiency improvement




If there was a 20 year guarentee for the newly installed item




If a trusted provider e.g. your bank or energy provider offered recommendations as to which products to buy and installers/tradesmen to use



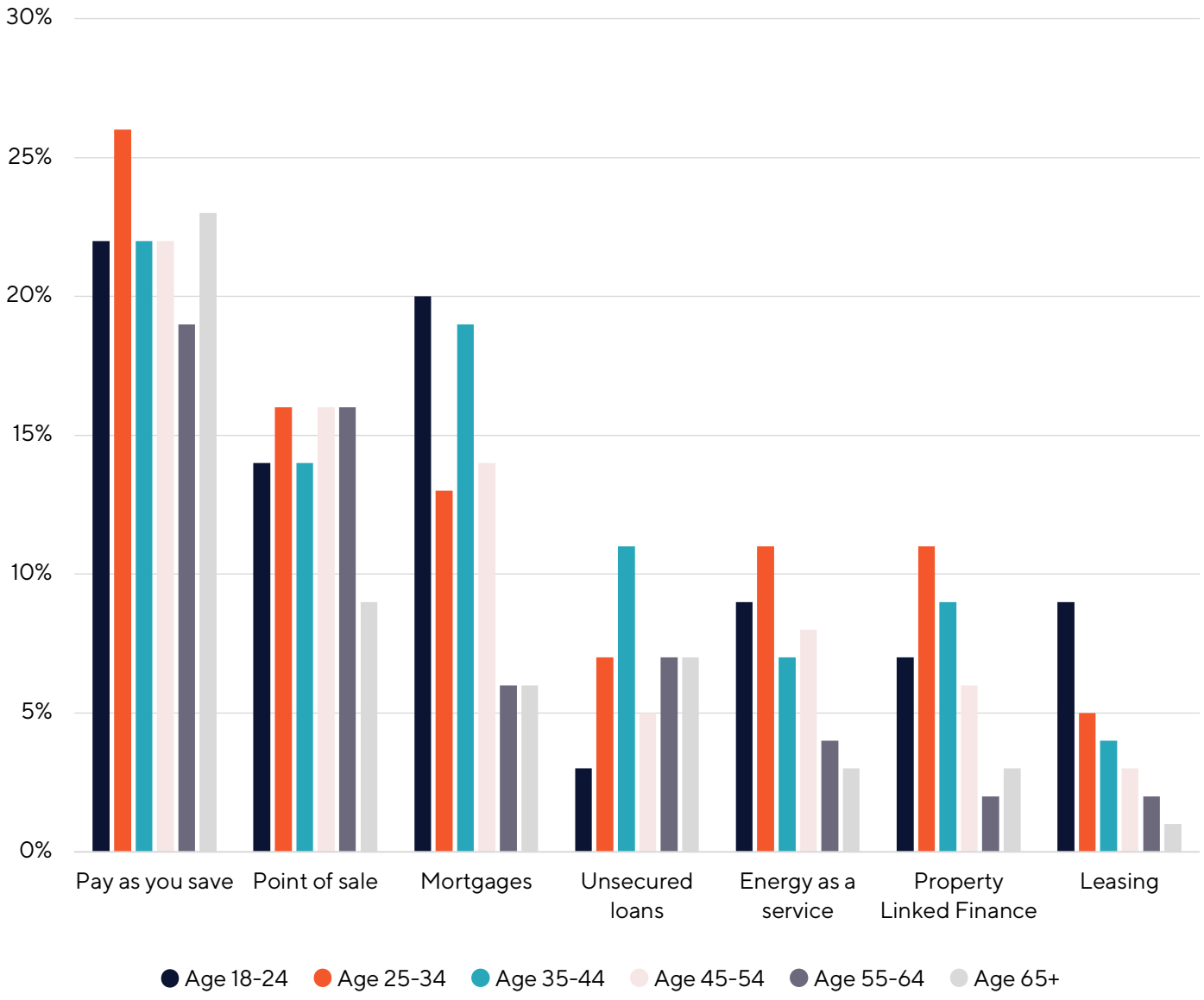
The greater openness to financing was generally amongst younger consumers and households with larger incomes (Table 2), and there were clear concerns from many with getting into debt, driven by life stage. 86% of 65+ year old respondents agreed to the statement, "I am not comfortable getting into debt in my stage in life" compared to the 25–34 age group, at 64%. This was also a theme present in the focus groups for empty nesters. One (Empty Nester) participant said, "It is something I did when I was younger, but now I am unlikely to take out finance", and another (Empty Nester) stated, "I wouldn't start borrowing money at this stage in the game".

***Table 2** –"To what extent do you agree or disagree with each of the following statements regarding financing?"*
*Figure shows % of respondents who either strongly agreed or slightly agreed to each statement. All respondents (n = 1,000).*

| | Age | | | | | | Household Income | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 18-24 | 25-34 | 35-44 | 45-54 | 55-64 | 65+ | Up to £19,999 | £20,000 - £34,999 | £35,000 - £59,999 | £60,000 - £74,999 | £75,000 - £99,999 | £100,000 or more |
| I am not comfortable getting into debt at my stage of life | 72% | 64% | 67% | 76% | 83% | 86% | 86% | 78% | 77% | 66% | 73% | 74% |
| The length of the repayment term is important to me | 72% | 76% | 83% | 81% | 73% | 68% | 68% | 75% | 74% | 75% | 76% | 86% |
| I would only consider 0% or low interest products | 61% | 65% | 73% | 75% | 70% | 70% | 69% | 72% | 71% | 67% | 69% | 71% |
| I am more likely to consider a finance product with a quick and easy application process | 72% | 74% | 75% | 56% | 50% | 43% | 40% | 55% | 59% | 63% | 69% | 81% |
| The recent interest rate rises have put me off using finance options | 59% | 62% | 72% | 64% | 48% | 44% | 50% | 57% | 54% | 55% | 66% | 62% |
| I am more likely to take out a finance product if there are flexible repayment options | 74% | 69% | 70% | 56% | 40% | 37% | 39% | 47% | 54% | 65% | 65% | 74% |
| I am comfortable using finance | 56% | 60% | 64% | 41% | 47% | 36% | 37% | 46% | 44% | 54% | 66% | 72% |

Younger people were generally more open to the newer finance options presented such as PLF and energy as a service (Figure 13), despite this group being more likely to move house again compared to the older age brackets. One person said, "if it benefits the property, it stands to reason that the finance should be linked to the property." This is consistent with results from the Green Finance Institute, who found that landlords and young people were more likely to consider using PLF under future socio-economic pressures, primarily to reduce energy bills.[72] This could offer a key target demographic area for newer forms of finance.

***Figure 13*** *– "Now please imagine a situation where government legislation means that you were required to make home improvements to improve energy efficiency immediately. Which of the following [financial products] would you now be most likely to choose to fund the project?" (%). Missing %s are "don't know" responses. All respondents (n = 1,000).*



## Use of new retrofit finance models could be encouraged by government grants, a guaranteed return on investment and low interest rates

Over 60% of survey respondents said that they could be encouraged to use financing options to make energy efficiency changes for the following reasons:

- If you had access to a government grant to fund part or all of the energy efficiency related improvement (65%)
- If it clearly demonstrated how much your energy bills would be reduced by installing the product (64%)
- The offer of 0% interest if you needed to borrow the money (63%)
- If you were guaranteed a return on investment within 5 years (61%)

Once again, younger consumers (<45 years) were more likely to respond favourably to all these messages, re-emphasising a disparity between age groups and the potential for a targeted approach when encouraging private investment in retrofitting the domestic building sector.

*"If you could fluctuate it so you can pay back more in summer when you're less pushed"*

***Alison***

The results here show that over 60% of survey respondents would be encouraged to take out a loan to fund energy efficiency measures if it had 0% interest. Similarly, in Nesta's study on financing green home upgrades, 48% of respondents said they would use a low interest loan within the next three years to install green upgrades.[73] This figure was nearly 10% higher than the take-up for a standard commercial loan, suggesting a demand for new, more affordable financing options. In both Nesta's study and the results presented here, most respondents answered that they would be more likely to take out a finance product if more flexible repayment options were available.

*"If they're [government] going to help you back a bit, you're more inclined"*

***Alison***

Nesta's findings also showed strong agreement that green finance is "something the government should offer", a narrative present in the "Rethinking Retrofit" study where several respondents indicated a strong association between energy efficiency measures and grants.[74] This is also reflected in the results here, where 65% of respondents answered that access to a government grant to fund part or all of the energy efficiency related improvement would encourage them to make energy efficiency changes. This suggests that households may have come to expect government support for these types of measures, and that it is important that the government backs any new form of finance, whether that be PLF or low-interest loans for energy retrofit.

These themes were also highlighted in the focus groups, where it was noted that using flexible payments and/or being supported by government grants would add further appeal to using finance to make energy efficiency changes. One (Family) participant stated, "if they're [government] going to help you out a bit you're more inclined." Some participants were aware of existing grants and schemes, with some mentioning the ECO4 scheme, but others showing gaps in knowledge. For example, one (Pre-Family) participant said, "I'm holding out for a grant for my heat-pump", potentially suggesting either a lack of knowledge about the current Boiler Upgrade Scheme (BUS) or a desire for a higher value grant. Given that access to government grants was the highest motivator among survey respondents here, the findings highlight the need to improve communication with households about available government funding.

# Conclusions and recommendations

The first overarching conclusion from this research is that installing energy efficiency measures is not generally viewed as a top priority when making home improvements.

While most individuals are aware of the financial benefits of installing energy efficiency measures in their homes, this does not always translate into households undertaking these changes, suggesting a "value-action gap" when it comes to undertaking retrofit. Positioning energy efficiency changes as a necessity, rather than a "nice to have", could drive greater take up. This shift could be achieved by effectively communicating the potential cost savings on energy bills, the value it could add to the property, and the environmental benefits of such improvements. Government regulation through implementing policies would ensure that consumers receive clear messaging on the direction of travel the government are taking to decarbonise the residential building sector. For example, mandating a phase-out date for fossil fuel-based heating systems would show homeowners that choosing to install a heat pump would be a judicious decision.

Many respondents were reluctant to adopt newer energy efficient technologies such as heat pumps, even when cost was removed as a barrier in the framing the question; a lack of trust was an evident barrier to the adoption of these technologies. Given that taking out finance is a significant commitment, it is likely that many households will be hesitant to invest without greater confidence that the technology will perform as expected, and initiatives will be needed to build this trust. This could include more case studies to demonstrate real-world successes of home retrofits, and a government-funded one-stop-shop where homeowners can access free, personalised advice on energy efficiency improvements and financing options. There appeared to be good consumer trust in industry experts such as Money Saving Expert, and it will be crucial for these platforms to be engaged with changes to the retrofit and retrofit finance sector as new forms of GHF develop. Promotion and partnerships with home improvement providers, independent experts and other trusted sources to help build awareness and confidence in the retrofit finance sector will be key.

Another important conclusion established from this research is that using finance is not a favourable option for consumers in general and is something that is only considered in situations where there is no deemed alternative. With an ongoing cost of living crisis, and many struggling to pay energy bills in the first place, there is an unsurprising reluctance to take on additional debt. Therefore, when it came to using finance for home energy efficiency improvements, there was a clear preference for using savings. A £12,000 threshold was established in the quantitative survey as the average amount at which respondents would transition from using savings to taking out finance. Similarly, in the focus groups, once the price points started reaching around £8,000 and particularly into double figures, finance options became more favourable. This suggested a preference for using finance for higher cost measures i.e., when savings cannot cover the costs, rather than smaller, more affordable changes – the latter of which being previously established as more common.

Concern around newer methods of finance to fund energy efficiency changes was prevalent, with respondents opting for familiar forms of finance such as credit cards. Overall, the most popular new method of finance was pay as you save (i.e., "the student loan method") - however, in the focus groups, though this method of finance sparked interest, there was uncertainty surrounding questions about how it would work, how it would be regulated and when the payback would kick in. The results here suggest that while there is interest in the idea of newer methods of finance, consumers may be reluctant to adopt a new product that they weren't familiar with and did not understand properly. More work is needed to research and trial newer financing options such as energy as a service compared to more "traditional" options, as the lack of consumer understanding is clearly muting appeal. There are elements of financial products that significantly attract consumers, such as low-interest rates, guaranteed return on investment and the inclusion of a government grant. These features could help unlock finance for lower-cost measures, where people are predominantly using cash. As was highlighted in the previous research, more innovation from financial institutions incorporating these features could help to attract a wider range of households.[75]

Despite clear challenges, this research suggests that there is some appetite for retrofit finance, particularly for higher cost measures. The research underscores the importance of a multifaceted approach to energy retrofit finance promotion, ensuring it aligns with the diverse preferences of different groups. Younger people generally felt more confident about retrofitting their homes and were more open to retrofit finance, including newer methods presented such as PLF. In contrast, respondents from the Empty Nester category were more averse to taking on debt at their stage of life. Therefore, different forms of finance may be appropriate for different homeowners depending on the context and life stage. The focus groups also revealed that people have a strong emotional resonance with their homes, associating them with narratives like “sanctuary” and “comfort”, and emphasising how important aesthetics, modernisation and personalisation are. Therefore, policies and programmes promoting energy retrofits should not only address the economic and environmental benefits but also consider homeowners' demographic context and emotional connections to their homes.

What this report has very clearly shown is that without addressing the multiple layers of uncertainty felt by homeowners – uncertainty over the need to act, uncertainty over what the right options are for their home, and uncertainty over how to pay for it - we risk missing the opportunity to decarbonise the domestic building sector. This will result in people living in inefficient housing that is both expensive to run and contributing more carbon emissions than necessary if they were retrofitted to a high standard. It is imperative that we do not allow that situation to unfold.

## Recommendations

This leads to the following recommendations to increase private investment from homeowners towards upgrading the energy efficiency of the domestic building sector:

1. **Reframe retrofit as a priority rather than a "nice to have".**
This could be achieved through communicating the financial and environmental benefits of improving energy efficiency to consumers, which includes the energy cost savings, reduced carbon emissions, and improvements to indoor air quality and temperature. Establishing the potential added monetary value to the property could also influence homeowners to undertake retrofit. However, a voluntary uptake of measures is clearly lacking. The CCC Seventh Carbon Budget highlights that all new and replacement heating systems become low carbon after 2035 – introducing a regulatory timeframe to gradually phase out polluting heating systems and replace these with low-carbon alternatives should be implemented as soon as possible to give consumers and industry a clear signal and enough time to plan and prepare for the change.

2. **Collaborate with industry experts (e.g. Money Saving Expert) when implementing new retrofit finance methods.**
People look for advice from independent experts, and these relationships will be key to help build awareness and confidence in both the domestic energy efficiency and retrofit finance sectors.

3. **Build knowledge, trust and confidence in energy efficiency measures through a government-funded one-stop-shop, where homeowners can access free, independent, personalised advice on energy efficiency improvements and financing options.**
Furthermore, advertising campaigns including more success stories and case studies could provide a useful tool to develop relatable content from both local authorities and national governments.

4. **Offer low/0% interest loans for energy efficiency measures, which will encourage consumers to use financial products rather than relying on savings.**
The results here reinforce the appetite for low-interest loans, as well as loans with flexible repayment options. Raising awareness of the government grants and schemes currently available for energy efficiency measures (e.g. Boiler Upgrade Scheme) should also be prioritised.

5. **Explore new methods of retrofit finance such as energy as a service via more trials and research.**
Further in-depth research is required to assess their potential, especially amongst different groups including young people. For example, heat as a service focusing on delivering the outcome of warmth to a customer on a subscription basis could be trialled.

Overall, though there remains a preference amongst homeowners for using savings over taking out finance for retrofit, new methods of finance did spark interest amongst participants in this study. Moving forward, consumers' preferences for financial products, such as low/0% interest rates, as well as contextual factors, such as demographics, should be considered when developing new methods of finance to unlock retrofit at scale.

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