

The government is exploring plans to link mortgages to green home improvements by imposing targets for lenders, to help decarbonise the UK's ageing and leaky housing stock.

Highlighting the move in its net zero strategy, published on Tuesday, the government said it was working with mortgage lenders to support homeowners in improving the energy performance of their properties.

Measures being considered include voluntary targets for banks to improve the average [energy performance certificate](#) rating of the homes in their lending portfolio to at least band C by 2030.

Those targets could become mandatory "if insufficient progress" were made, according to the documents.

It comes as ministers weigh options after the conclusion of a consultation into the matter this year.

Details of the green mortgage scheme, which would be one of the most radical changes in the lending market since the 2008 financial crisis, come as the UK government announced a stream of net-zero policies ahead of the [Cop26](#) climate summit in Glasgow this month.

Some lenders, such as NatWest, have already introduced green mortgage products, offering a discounted interest rate on homes with an energy efficiency rating of A or B. Halifax also offers a £250 cash-back incentive to customers buying the most energy efficient homes.

However, there are concerns that discouraging banks from having less energy efficient homes on their mortgage books would risk disadvantaging poorer customers, who could struggle to improve their property's rating.

The risk of not meeting mortgage requirements, or being refused a home loan, could force house buyers to spend thousands of pounds on improving their energy efficiency.

It could also cause a significant rise in "mortgage prisoners" – people trapped in contracts and unable to secure money-saving deals from new lenders refusing to take on homes which are responsible for higher carbon emissions.

Sarah Coles, a personal finance analyst at Hargreaves Lansdown, said: "The problem is that while some properties can be improved at relatively little cost, other homeowners will find it prohibitively expensive.

"They may not be able to afford to borrow more, or the cost of changes to older properties may be disproportionately high, so they'd never recoup the cost of the improvements through a sale."

Owners of listed properties could face further financial strain, since it could be difficult to make significant changes to historically protected buildings.

The average [cost of energy efficiency improvements](#) for a single home is about £8,100, according to a study by Nationwide Building Society. However, that number rises to £25,800 for homes with a F or G energy efficiency rating.

The average annual savings of “greening” a home are estimated at about £1,780 a year, meaning owners of older properties would only start to reap financial benefits after 14 years.

“Greening our housing stock is vital if we are to meet our climate change obligations, and banks and finance providers are committed to helping achieve this goal and making sure consumers are not left behind,” said a spokesman for the banking lobby group UK Finance.

Details of the plan come after the government canvassed the finance industry over the potential changes this year. The move would be part of a drive to upgrade as many homes as possible to band C ratings by 2035.

“We are working with mortgage lenders to support homeowners to improve the energy performance of their properties and will publish our response to our lenders consultation in due course,” the government said in its net-zero strategy published on Tuesday.

A government spokesperson said the energy efficiency plans “will not impede people’s ability to get a mortgage”.

They added: “We have been engaging extensively with a wide variety of stakeholders, including lenders and consumer bodies, to ensure that those with lower-performing homes have attractive and affordable options for making green home improvements.”

Source: [Government explores mortgages tied to ‘green’ home improvements](#)