Credit Unions and the Green Home Improvement Sector

A Toolkit for Supply Chain Engagement

BETTER HOME LOAN

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Executive Summary

Credit Union members are keen to make improvements to their homes, to make them warmer and cosier, healthier, and less carbon intensive. However, they face many challenges; finance is one, but a lack of trusted guidance and a difficulty finding appropriate and competent installers can stall progress.

Credit Unions are well placed to lend for Green Home Improvements, and many already are. However, for Green Home Improvement works to be successful, Credit Unions also need to support their members to navigate the supply chain. By supporting members to engage with the supply chain - or working directly with supply chain partners - all parties can benefit.

The Green Home Improvement supply chain is complex and varies depending on the type of work being done and where it is taking place. In this toolkit, we explore some common types of Green Home Improvement and the various supply chain actors and interdependencies associated with each of these works.

There are some great examples of Credit Union innovation when it comes to engaging with the supply chain, with Credit Unions forging new partnerships and creating mutually beneficial relationships. In this toolkit, we outline a number of case studies showing how Credit Unions are engaging with the supply chain and the considerations that need to be taken in order to build a successful partnership.

This report was developed under the 'Credit Union One Stop Shop for Retrofit and Finance' project as part of the DESNZ-funded Green Home Finance Accelerator Pilot Phase programme.

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Version 02

Date of publication: February 26, 2025

Green Home Improvements: The Case for Credit Union Lending

Green Home Improvements are actions that affect an existing home's energy efficiency, reduce use of fossil fuels in favour of renewable energy sources, improve residents' comfort and wellbeing, and/or make homes more resilient to climate events. A similar term that you might hear is 'retrofit'.

A large range of different actions can be categorised as 'Green Home Improvements', including but not limited to:

- **General repair and maintenance work** (e.g. clearing gutters, repointing)
- **Upgrading appliances** (e.g. moving from a gas hob to an induction hob)
- **Improvements to the building fabric** (e.g. triple-glazed windows, loft insulation)
- **Improvements to airtightness** (e.g. draught-proofing strips around doors and windows)
- **Improvements to ventilation** (e.g. installing mechanical extract ventilation)
- **Improvements to heating systems** (e.g. installing heat pumps)
- **Installing clean energy generation** (e.g. solar panels)
- **Installing smart technologies** that help residents to shift their electricity use to different times of the day when the grid is using a higher proportion of renewable energy sources.

Credit Union Members and Green Home Improvements

Credit Union members are already making Green Home Improvements.

In a survey of homeowner members of Credit Unions in Greater Manchester[1] half of the 145 members had already installed energy efficiency measures in their homes. These same Credit Union members are highly motivated to make Green Home Improvements because they recognise that they could save money on their energy bills, make their cold homes warmer, and/or reduce their carbon footprint.

However, despite high levels of motivation, many Credit Union members who own their homes often struggle to make Green Home Improvements. Challenges include:

- **Accessing funding:** While there is some government grant availability for homeowners in the UK (e.g. the Boiler Upgrade Scheme in England and Wales[2], Home Energy Scotland Grant[3]), these grants do not cover the full extent of improvements that Credit Union members may want or need to make. Enabling works that need to be carried out in order for Green Home Improvements to be installed (e.g. roof repairs, upgrades to electrical wiring) are often excluded from available funds.
- **Trusted, independent advice:** It can be challenging for Credit Union members to understand which improvements would be best for their home. Accessing advice from an independent and trusted source helps homeowners to make good decisions about Green Home Improvements, but it can be challenging to find these sources of information and guidance.
- **Finding a suitable contractor:** While some Green Home Improvement work can be done by a general tradesperson, electrician, or plumber, much of it requires specialist skills. It can be difficult for Credit Union members to find a suitable contractor and to know what questions they need to ask to ensure that the works will be completed to a good standard and perform as specified.

For Credit Union members who rent their homes, an additional challenge is a lack of control over the improvements that are made. They may face barriers when requesting improvements from both social and private landlords, meaning that they miss out on the benefits of a healthier, warmer, and more energy efficient home. On the other hand, if a landlord does carry out Green Home Improvements, renters may not have much agency or control over how this work is carried out.

[1] Report: GHFA Pilot Credit Union Member Survey, People Powered Retrofit, May 2024

[2] https://www.find-government-grants.service.gov.uk/grants/boiler-upgrade-scheme-1

[3] https://www.mygov.scot/energy-saving-funding/home-energy-scotland-grant-and-loan

Credit Unions and Green Home Improvement lending

There is a strong case for Credit Unions to get involved in Green Home Improvement lending, and many are already doing so. You can read more about how Credit Unions are already doing this lending in the Case Studies section of this toolkit.

Green Home Improvements aim to reduce our homes' carbon emissions whilst tackling key issues for households - such as cold, damp, and poor air quality - and improving the health and resilience of communities in the face of a changing climate. All of these aims align with the values of Credit Unions as mutual, community organisations.

While we know that Credit Union members are interested in Green Home Improvements, these loans can also support Credit Unions to attract different types of members and diversify their loan portfolio. Credit Unions are well placed to fill a gap in the market, as mainstream lenders seem reluctant to lend for smaller sums e.g. £5k - £15k: this level of lending is well suited for most Credit Unions. Lending to home owners also carries lower risk.

Getting involved in Green Home Improvement lending also brings opportunities for Credit Unions to work with local authorities and city regions, who are looking for partners to support them to deliver their Net Zero strategies whilst bringing a strong social value proposition. By becoming leaders in Green Home Improvement lending, Credit Unions can raise their profile and make an even greater impact.

The Green Home Improvement Supply Chain

As outlined above, the term ‘Green Home Improvement’ covers a myriad of technologies and approaches that can be taken to improve energy efficiency, reduce use of fossil fuels, improve comfort and wellbeing, and/or make homes more resilient to climate events.

The supply chain that delivers these works comprises a number of actors, including householders, suppliers and manufacturers, contractors, designers, advisors and assessors, regulatory bodies, building control, planning authorities, professional organisations and more. There are complex, interdependent relationships between the different actors working on delivering Green Home Improvements. As with the wider construction sector, subcontracting is commonplace and adds another layer of complexity to the picture.

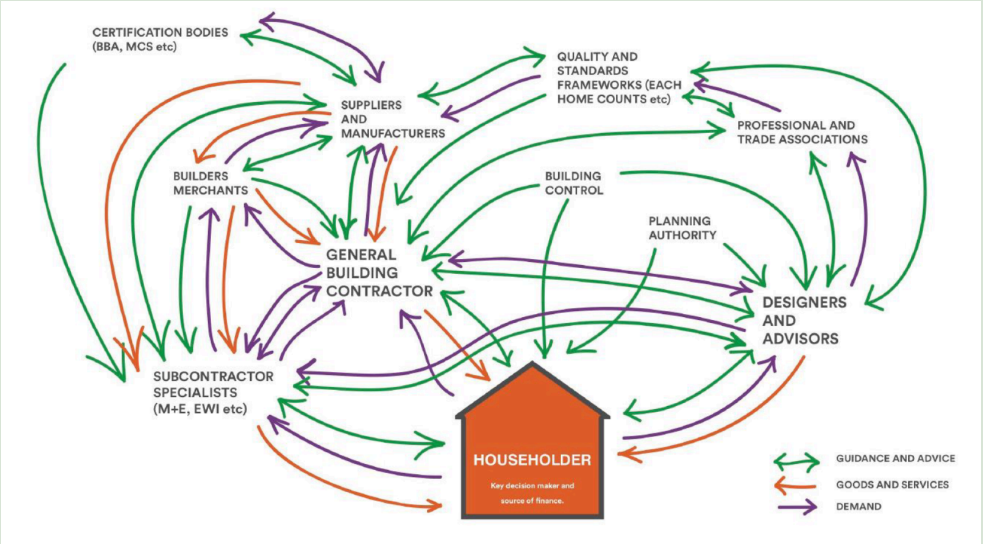


Image Credit: Marianne Heaslip

The supply chain will also differ depending on whether the work is being delivered in public or private housing, how it is being funded, the size of the contract, and the level of risk involved in delivering that work in a particular setting.

Examples of the Green Home Improvement Supply Chain in Practice

To illustrate what the supply chain can look like in practice, we will focus on the following examples of common Green Home Improvements:

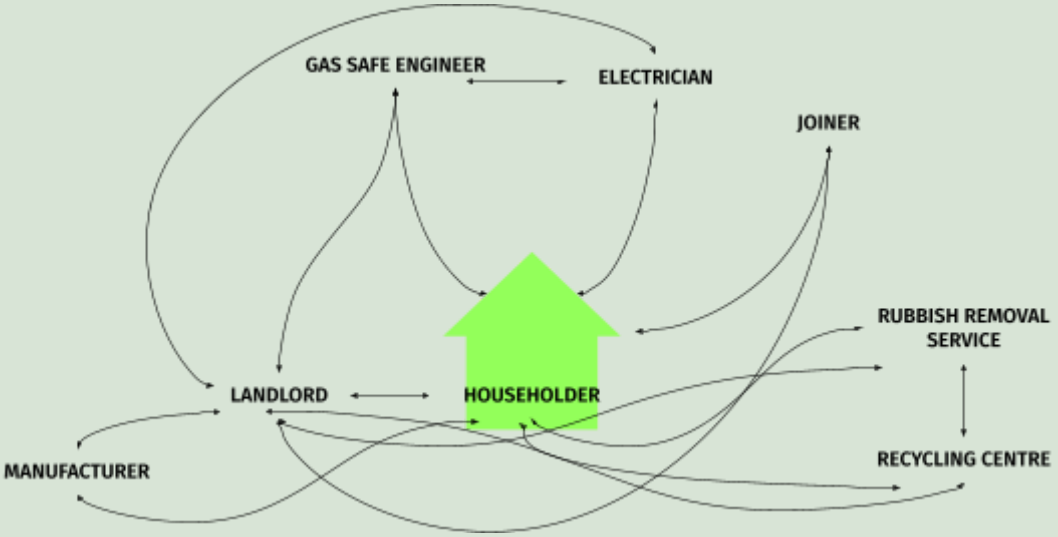
1. Switching from a gas hob to an induction hob
2. Switching from a gas boiler to an air-source heat pump
3. Installing solar panels
4. Installing high performance windows
5. Installing cavity wall insulation

1. Switching from a gas hob to an induction hob

This is a relatively straightforward upgrade, with no need for specialist contractors. The householder or landlord would first need to research and choose the type and size of hob that they need. Depending on the model of the hob, the consumer unit and electrical wiring might need to be upgraded in order for there to be enough capacity to run the hob.

Once the householder or landlord has chosen the induction hob model that they would like to install, they will order it from the manufacturer/supplier. A gas safe engineer will need to disconnect the old gas hob and cap the gas pipe before an electrician can install the new induction hob. If the hob is being installed in an existing or new worktop, a joiner may be needed to cut or adjust the hole in the worktop before installation.

The old gas hob can be recycled at a local recycling centre by the householder or landlord, or a rubbish removal service can be employed to dispose of the waste.



Actor	About
Householder	(If homeowner) • Commissions and manages the work (If private or social tenant) • Requests the works from landlord **or** is instructed of planned works by the landlord
Landlord	• Commissions and manages the work
Induction hob manufacturer/supplier	• Manufactures the induction hob unit and/or • Retail supplier
Gas safe engineer	• Removes gas hob • Disconnects and caps gas pipe • Provides Gas Safe certificate for work done

Electrician	• Upgrades consumer unit and/or wiring if necessary • Installs induction hob • Provides Electrical Safety Certificate
Joiner	• If installed in an existing or new worktop, will need to cut or adjust the hole for the hob
Local council or private rubbish removal service	• Where necessary, collects the old gas hob for disposal at the recycling centre
Recycling centre	• Recycles the old gas hob

2. Switching from a gas boiler to an air-source heat pump

Air-source heat pump installations require specialist contractors. The Microgeneration Certification Scheme (MCS) creates and maintains standards for the certification of domestic renewable energy products, installers and their installations. Air-source heat pump installers will typically be MCS certified.

The air-source heat pump engineer will survey the home and provide a report with recommendations for the size and model of heat pump, as well as any other enabling works that may be required e.g. upgrading wiring, replacing radiators, moving pipework. They will work with the householder to decide where equipment will be positioned, including a hot water cylinder which will need to be inside the house. In some cases, there might also be a need for a joiner to build a new cupboard or adjusting an existing one to fit a hot water cylinder.

The engineer will also check the electricity supply and notify the Electricity Network Operator. In some cases the installer will need to apply to the network operator to 'apply to connect,' in other cases they'll 'connect and notify.'

Depending on the location of the heat pump in relation to neighbouring properties, permission may be required for the installation to take place. Permission may also be needed if the building is protected (e.g. listed, in a conservation area, World Heritage Site etc.).

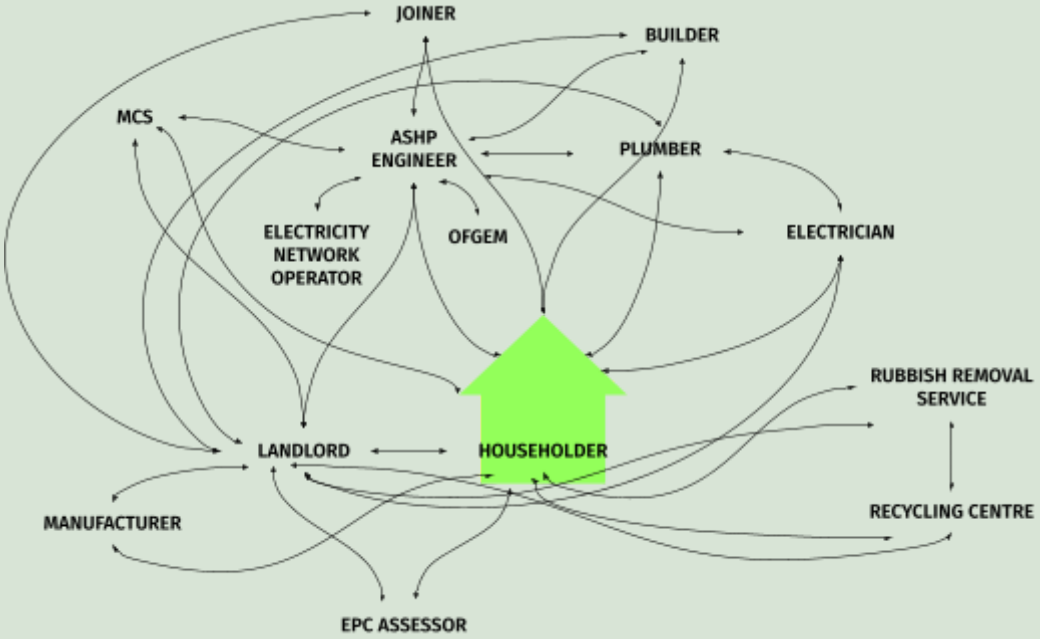
The air-source heat pump installer may have plumbing and electrical expertise in-house, or they may subcontract this work to a plumber or electrician to carry out the enabling works. A builder may also need to carry out work in connection with installation of services e.g. doing groundworks for the platform that the ASHP unit will sit upon. During installation, the old gas boiler will be removed, and the new air-source heat pump and hot water cylinder installed. This can take several days, depending on the complexity of the job.

Once the new air-source heat pump has been installed and commissioned, the engineer will support the householder with a handover pack that explains how to operate and maintain the new system. They will also register the installation with MCS so that a

certificate of installation can be issued. If no other gas appliances are in use, the gas supply will need to be capped. At this point, the gas meter can be removed by the energy supplier. Some energy suppliers charge for these services, others do not.

Typically, the old gas boiler will be disposed of by the installer. If not, it can be recycled at a local recycling centre by the householder or landlord, or a rubbish removal service can be employed to dispose of the waste.

If a government grant is being used to fund - or partially fund - the installation, then there may be a need to get an Energy Performance Certificate to confirm the work has been carried out and file paperwork to get the grant payment. The engineer will tend to complete much of the paperwork, but may need input from the householder and/or landlord.



Actor	About
Householder	(If homeowner) • Commissions and manages the work (If private or social tenant) • Requests the works from landlord **or** is instructed of planned works by the landlord
Landlord	• Commissions and manages the work
Air-source heat pump manufacturer/supplier	• Manufactures the air-source heat pump • May have a preferred installer scheme or in-house installers
MCS-certified	• Surveys the home and provides a report

air-source heat pump engineer	• Removes existing heating system • Installs ASHP and hot water cylinder • Commissions the system and registers it with MCS • Gives handover advice and guidance
Plumber	• Upgrades radiators and pipework if necessary
Electrician	• Upgrades consumer unit and/or wiring if necessary
Joiner	• Builds or adjusts a cupboard to house hot water cylinder.
Builder	• Builders work in connection with installation of services e.g. doing groundworks for the platform that the ASHP unit will sit upon
EPC Assessor	• Assesses the property to provide an Energy Performance Certificate.
Local council or private rubbish removal service	• Where necessary, collects the old gas boiler for disposal at the recycling centre
Recycling centre	• Recycles the old gas boiler
Micro-generation Certification Scheme (MCS)	• Issues an MCS certificate
Ofgem	• Administrates the Boiler Upgrade Scheme (grant scheme for heat pump upgrades).

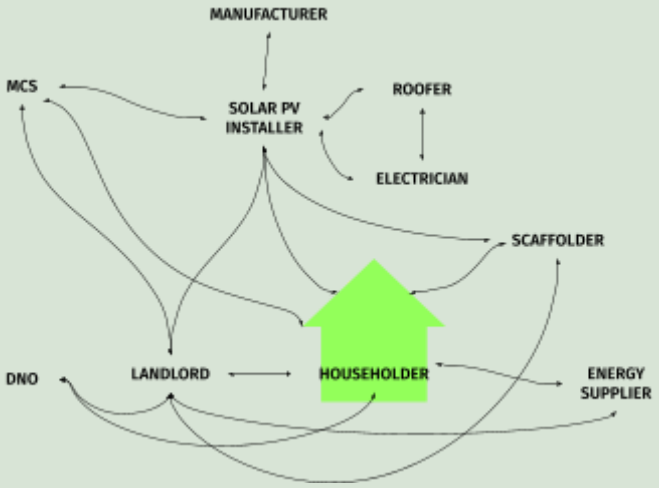
3. Installing solar panels

Specialist installers of solar photovoltaics (PVs) are relatively well established across the UK. The solar PV installer will carry out a survey to check that the roof can take the weight of the system. Alternatively, an independent structural engineer can carry out this survey. Roofing works may need to take place to enable the roof to safely hold the structural load of the solar panels.

Scaffolders may need to be employed; in some cases a tower scaffold can be used but traditional scaffolding is often needed to access the roof safely. A team of roofers and electricians working for the solar PV installer will install the panels.

Solar PV is typically installed with a battery pack to ensure electricity generated can be stored and used when the householder needs it. The installer will check for an appropriate location for the battery pack and ensure that it is connected to the mains electricity system. The consumer unit might need to be upgraded in order for there to be enough capacity for the battery.

After installation, the installers will have a handover with the householder and help them to register the unit with MCS. The householder and/or landlord will need to inform the Distribution Network Operator (DNO) in order to ensure that the installation will be safe and that the electricity network will be able to cope with the new connection. If the householder wants to sell electricity back to the grid, e.g. via Smart Export Guarantee or similar, they need to register their installation with their energy supplier.



Actor	About
Householder	(If homeowner) • Commissions and manages the work (If private or social tenant) • Requests the works from landlord **or** is instructed of planned works by the landlord

Landlord	• Commissions and manages the work
Solar PV manufacturer/supplier	• Manufactures the solar PV unit • May have a preferred installer scheme
Solar PV installer (Typically, team of electricians and roofers)	• Surveys roof before installation • Installs the solar PV unit • Registers the solar PV unit with MCS (self-certification for building regulations) • Gives handover advice and guidance
Scaffolder	• Supplies and installs/de-installs scaffolding
Structural engineer	• May be commissioned to survey roof and design roof strengthening works before installation
Distribution Network Operator (DNO)	• Is informed about the installation to guarantee safety and sufficient grid capacity
Energy supplier	• Is informed about the installation to be able to register for a Smart Export Guarantee (or similar scheme)
Micro-generation Certification Scheme (MCS)	• Issues an MCS certificate

4. Installing high performance windows

Installing high performance windows is a common Green Home Improvement. Double- or triple-glazing options are available, and can vastly reduce heat loss.

Replacing windows is covered by the Building Regulations, so you will need to ensure compliance via an approved route. This can be through direct submission to a Building Control Body or through a 'competent persons' scheme e.g. FENSA. The route you take will vary depending on the scale of any associated works, and varies depending on which nation you are in.

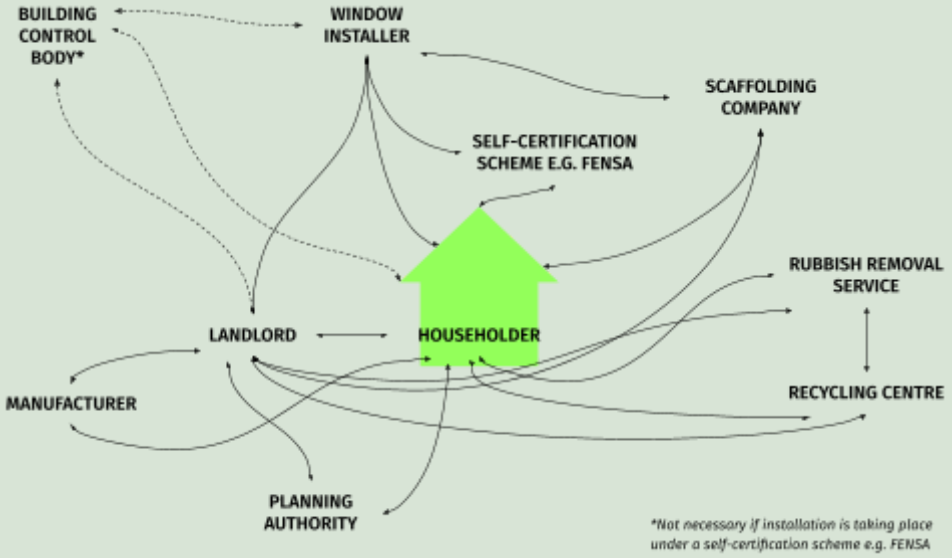
If the building is protected (e.g. listed, in a conservation area, World Heritage Site etc.), then permission may be required for work to take place.

The householder or landlord will typically choose their windows directly from a manufacturer/supplier. Some manufacturers/suppliers offer installation, but typically an installer will need to be employed separately. The installer may be a specialist window installer or a competent all-around joiner. The installer may be FENSA-approved; FENSA is one of the government-authorised schemes that monitors building regulation compliance for replacement windows and doors. There are other schemes, too e.g. CERTASS.

Once windows are specified, manufactured, and delivered, the old windows can be removed and taken to a recycling centre for disposal. Some installers may take away old

windows via a 'return' scheme. New windows should be installed in an airtight way to maximise performance. Scaffolding may be required to install new windows.

After windows are installed, the installer will register the windows with FENSA to gain certification - this proves that the installation is compliant with Building Regulations and insured under warranty.



Actor	About
Householder	(If homeowner) • Commissions and manages the work • Ensures that a building notice is submitted and that building work complies with building regulations* (If private or social tenant) • Requests the works from landlord **or** is instructed of planned works by the landlord
Landlord	• Commissions and manages the work • Ensures that a building notice is submitted and that building work complies with building regulations*
High performance window manufacturer/supplier	• Manufactures the windows according to the provided measurements and specification • May have a preferred installer scheme
FENSA approved window installer	• Takes accurate measurements for the windows • Removes old windows • Installs and seals the new windows according to specification and in compliance with Building Regulations • Gives handover advice and guidance • If registered with a Competent Person scheme and agreed with householder/landlord, submits the building notice

Scaffolding company	• Where necessary, provides and sets up scaffolding • Removes scaffolding once work has been completed
Building Control Body (BCB)	• Checks that building regulations are being complied with*
Local planning authority	• May need to grant permission for works to take place e.g. if the building is protected
Self-certification scheme e.g. FENSA	• Provides certification to prove that the installation is compliant with Building Regulations and insured under warranty
Local council or private rubbish removal service	• Where necessary, collects the old windows for disposal at the recycling centre
Recycling centre	• Recycles the old windows

**Not necessary if installation is taking place under a self-certification scheme e.g. FENSA*

5. Installing cavity wall insulation

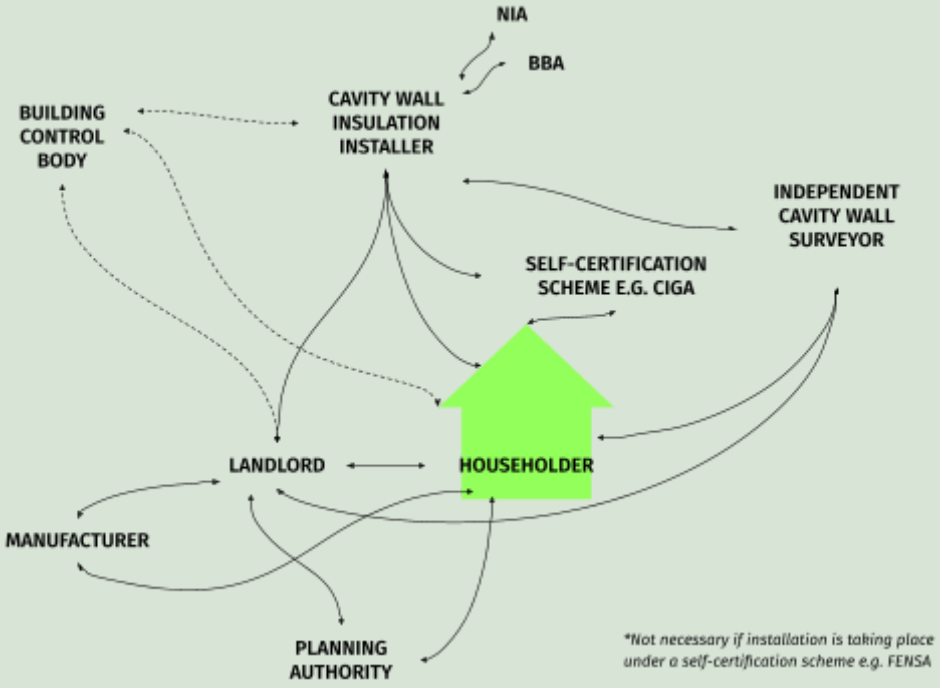
Installation of cavity wall insulation is covered by the Building Regulations, so you will need to ensure compliance via an approved route. This can be through direct submission to a Building Control Body or through a self-certification scheme e.g. the Cavity Insulation Guarantee Agency (CIGA).

If the building is protected (e.g. listed, in a conservation area, World Heritage Site etc.), then permission may be required for work to take place.

Before installation, the external walls need to be surveyed to ensure that they are in good condition and that insulation can be installed appropriately. Cavity wall insulation installers will often carry out this survey in-house, but having an unbiased opinion from an independent cavity wall surveyor is advised. Enabling works may need to be carried out to address the condition of the walls before proceeding e.g. repointing, remedial works to damp, clearing the cavity, installing replacement or new wall ties. This would require additional services to be contracted out.

Once the walls are in good condition, the installer will install the insulation. The installer should be registered with a self-certification scheme e.g. CIGA. The product used as insulation should have a British Board of Agrément (BBA) or equivalent certification.

After insulation, the installer should self-certify the installation with CIGA to be able to provide a certificate and insurance under CIGA's 25 year guarantee.



Actor	About
Householder	(If homeowner) • Commissions and manages the work • Ensures that a building notice is submitted and that building work complies with building regulations* (If private or social tenant) • Requests the works from landlord **or** is instructed of planned works by the landlord
Landlord	• Commissions and manages the work • Ensures that a building notice is submitted and that building work complies with building regulations*
Cavity wall insulation manufacturer/supplier	• Manufactures the cavity wall insulation
Independent cavity wall surveyor	• Surveys the house to ensure the walls are not exposed to driving rain and that the house is not at risk of flooding • Inspects the wall to ensure that the cavity is unfilled, sufficiently wide and in good condition
Specialist cavity wall insulation installer	• Installs the insulation • If registered with a Competent Person scheme and agreed with householder/landlord, self-certifies the works
National Insulation Association (NIA)	• Trade association for insulation installers

Self-certification scheme e.g. Cavity Insulation Guarantee Agency (CIGA)	• Runs the competent persons scheme for Cavity Wall Insulation • Provides a 25 year guarantee for Cavity Wall Insulation fitted by a registered installer
British Board of Agrément (BBA)	• Runs an approved installer scheme for BBA approved insulation products
Building Control Body (BCB)	• Checks that building regulations are being complied with*
Local planning authority	• May need to be informed of the work e.g. if the home is listed or in a conservation area, planning permission may be required.

**Not necessary if installation is taking place under a self-certification scheme e.g. CIGA*

Providing Guidance for Credit Union Members

As the case studies above show, the Green Home Improvement Supply Chain is complex. There are many different actors involved, and dependencies between them. As a householder looking to make Green Home Improvements, it can be challenging to understand who you need to talk to, what information you need, and who you can trust.

As trusted community organisations, Credit Unions are well-placed to inform and provide guidance to their members when they are looking to make Green Home Improvements. This section of the toolkit outlines some key points of guidance for Credit Union members who are looking to engage with the Supply Chain.

Understand your aims

Before you start on Green Home Improvement works, be really clear what you want to achieve. Are you most interested in reducing your energy bills? Improving your climate resilience? Having better air quality? Understanding what is most important to you will help you to make good choices about the right Green Home Improvements for you.

Repairs before retrofits

Before installing any new technologies or improvements, it is important to ensure that your home is in good condition and any existing issues are dealt with. If you don't fix

issues with damp or disrepair before installing new systems or technologies, then these problems can come back in the future and cause bigger issues.

Seek out independent advice

Some Green Home Improvements can carry high levels of risk if they are installed inappropriately or to a poor standard. While many installers will offer surveys as part of their quote process, you can always seek out independent advice to help you understand the risks and considerations. This is especially true when planning major works and/or altering the building fabric, airtightness, or ventilation.

Carry out due diligence

When working with any contractor, you should ensure that you do your due diligence. Check their company's details on Companies House. Find out what kind of insurance cover they carry; public liability insurance is a bare minimum. Get personal recommendations, search for online customer reviews, and/or ask the contractor to provide details of past customers for you to contact as a reference.

You could also ask if it is possible to visit their completed work, particularly if you are planning a significant project. Consider if the contractor has successfully delivered a similar project to yours. Don't be afraid to step away if something doesn't seem right.

Get everything in writing

Before work starts, ensure that you and your contractor are clear on exactly what work will be carried out: get this in writing. A written agreement should include the agreed price for the work, how and when payments are going to be made, the VAT status of the work, and how any unexpected issues or delays will be handled between you. This is best recorded in a standard form of contract, which can be sourced from various construction industry bodies.

Know your responsibilities

Make sure you know who is responsible for arranging any permissions and approvals needed for the work. This might include applying for planning permission, party wall agreements, and Building Regulations consent. Health and Safety rules apply to all building projects, and you, your contractor and any designers working for you all have a responsibility to make sure work is carried out safely.

Case Studies: How Credit Unions Are Engaging With the Supply Chain

The guidance listed in the previous section is a good way of starting to engage with your members about the Green Home Improvement Supply Chain. But there is more that Credit Unions can do to engage with the Green Home Improvement Supply Chain and support their members to take the next steps in making their homes healthier, more comfortable, and more energy efficient.

In this section of the toolkit, we will outline four examples of innovative ways Credit Unions are engaging with the Green Home Improvement Supply Chain in the UK and beyond.

While all three examples differ, one common thread is the balance between an achievable level of oversight over the supply chain partners and the level of risk that the Credit Union takes. In all of the examples, the Credit Unions carry out some level of due diligence for new and existing supply chain partners. This is important so that Credit Unions can ensure that they are working with supply chain partners who are aligned with their values and delivering good results for their members.

However, by taking on this responsibility there is a reputational risk for the Credit Union if the quality of the Green Home Improvement works is not up to scratch. While Credit Unions can check many aspects of a Green Home Improvement partner's work (e.g. that partner organisations share their values, have a good approach to customer service, hold relevant insurances, and are financially solvent), Credit Unions typically do not have the technical expertise in the field of retrofit to be able to assess the quality of the installations. Quality standards and regulatory schemes do exist in the UK retrofit sector (e.g. Trustmark) but they are not necessarily a guarantee that works will be carried out to a high standard.

Credit Unions need to understand their risk in terms of the resources and skills required to carry out comprehensive due diligence of supply chain partners and stay up to date with the retrofit sector. When engaging with the supply chain, it is important to consider what balance of responsibility and risk your Credit Union is willing to take.

Case Study: South Manchester Credit Union and People Powered Retrofit

South Manchester Credit Union is a community based Credit Union who have been serving the people of South and Central Manchester for 24 years. They have carried out Green Home Lending in the past and are committed to sustainability and green initiatives.

As a member of the SoundPound consortium of Greater Manchester Credit Unions, South Manchester Credit Union have been involved in the Green Home Finance Accelerator (GHFA) Pilot programme - through this programme they built a relationship with a supply chain partner, People Powered Retrofit.

People Powered Retrofit is a community benefit society providing end-to-end retrofit support services, including independent advice, detailed energy assessments, and project planning and design support. They are based in Manchester and operate across the North West of England. Their clients are homeowners, many of whom self-finance their Green Home Improvements through savings. Clients typically take on bigger 'deep' retrofit projects: where multiple Green Home Improvements are made to the home, either all at once or over a longer period.

Few of People Powered Retrofit's clients currently take out finance to pay for their Green Home Improvements: one of the biggest barriers to borrowing is not knowing how much finance they will need, or for what types of Green Home Improvement. People Powered Retrofit offer retrofit advice and detailed planning support with their Home Retrofit Planner service. This helps their clients to work out their costs and how much they might need to be able to finance Green Home Improvements.

People Powered Retrofit wanted to partner with a Credit Union in order to offer their clients a low-cost and ethical finance option, to help clients do more with their retrofit and/or bring in new clients who may need finance just to get started.

As South Manchester Credit Union and People Powered Retrofit share many values and operate in the same geographical areas, they have worked together to develop a new partnership loan program.

As People Powered Retrofit are not regulated by the FCA, they will not be guiding their clients to make any financial decisions. After receiving a detailed Home Retrofit Plan, interested clients will be referred to South Manchester Credit Union. If the client wants to go forward, the Credit Union will support them to become a member and take out the loan if deemed suitable. South Manchester Credit Union will work closely with People Powered Retrofit's team to get information that they need to understand if the loan is suitable.

South Manchester Credit Union will provide loans of up to £15,000 with a rate of 6.2% APR - subject to certain approvals - for a range of retrofit measures. The loan may be used to fully fund an installation, or to help members afford to go further and faster e.g. higher specification materials, carrying out multiple installations at once.

By working together to offer expert guidance and ethical finance, this new partnership hopes to help householders wanting to do bigger Green Home Improvements to do more and overcome barriers.

Case Study: Capital Credit Union's Green Loan Partnerships

Capital Credit Union was established in June 1989. They are one of the largest credit unions in the UK, with over 31,000 members, and assets of £42 million. They are based in Edinburgh and their membership is open to anyone living or working in Scotland's North East, Central, East and Borders regions, employed by one of their Select Partners or a member of a bona fide organisation.

Capital Credit Union decided that they wanted to get involved with green lending as it aligns with their values, mission and ethos. In 2023 Capital Credit Union launched a green lending product which was designed to offer affordable financing for energy-efficient home improvements. This led to the Greener Energy Group - one of Scotland's largest solar photovoltaics (PVs) and air-source heat pump (ASHP) installers - approaching the Credit Union about working together to provide finance to their customers. This relationship became the catalyst for Capital Credit Union's green lending at scale.

Capital Credit Union has been able to build a strong pipeline for their green loans by partnering with installers who share their values and high standards for customer service. Their green loans can be used for solar photovoltaics (PVs), air source heat pumps and insulation.

Capital Credit Union's supply chain partners are FCA authorised with a credit brokerage license, and so can offer a range of green loans to their customers. The supply chain partners have offices within Capital Credit Union's common bond, so their customers can use the Credit Union under a partner employer arrangement or due to their designation a bona fide organisation.

The supply chain partnership approach brings strong leads to the Credit Union; since launching the green loan programme in May 2024, they have issued just under £2 million in green loans to 140 (predominantly new) members.

Green loans can cover the entire cost of some installations but are also very useful as a bridging facility. In Scotland, there are some government grants for Green Home Improvements available to homeowners. However, there can be a long period between the installation taking place and the grant being awarded. This can leave homeowners in a position where they are unable to pay for installation costs, even though they are eligible for a grant, as they don't have the funds up-front. Capital Credit Union's green loans can help bridge this gap.

For example, a customer may be looking at an ASHP installation that costs £18,000. They are eligible for a £7,500 Home Energy Scotland grant and a £7500 interest free loan but don't have the funds up front to pay for the installation. Capital Credit Union can agree with the customer to lend the full £18,000. Once the installation is complete, and the customer is completely satisfied with the work, the supply chain partner will invoice the Credit Union; funds are then released directly to the supply chain partner. Capital Credit Union's loan agreement has an assignation on it, making it clear to the customer that the funds will go directly to the supplier to fund the installation, rather than to the member.

Once the £15,000 Home Energy Scotland grant and interest free loan is awarded to the customer, they can pay off that portion of their debt. With no overpayment charges and a competitive interest rate of 5.9%, with Capital Credit Union's loans helping customers to take steps towards having a greener home.

Another benefit for customers is that the Credit Union can agree a fixed rate at the point of the loan agreement, and guarantee that this rate will be fixed until the installation is complete. Green Home Improvement installation dates are sometimes 8-12 weeks away from the loan being agreed and can be delayed for any number of reasons, so this is a great selling point for customers facing a market with fluctuating interest rates.

Before deciding to embark on a relationship with a supplier, Capital Credit Union reviews prospective partners' accounts, kite marks (e.g. Trustmark) and Companies House information. The Credit Union are active partners and get to know the people behind the organisations, visiting their offices to be assured that partners share their values and prioritise excellence and customer service.

Open communication is also important. Capital Credit Union uses a secure communications channel where they can chat with supply chain partners in real-time and build ways of working that encourage trust and openness.

Capital Credit Union will work with partners to overcome issues their members might face. For example, a customer had an issue with Home Energy Scotland not accepting the loan as bridging finance ahead of an installation. Capital Credit Union immediately flagged this to their supply chain partner, who could then talk to Home Energy Scotland directly to clear up any issues and keep the installation on track.

Overall, green lending has been a real success for Capital Credit Union to date. It is bringing the Credit Union ethos to higher-value loan products and increasing awareness of Credit Unions in the East of Scotland, and bringing new members into the Credit Union.

Case Study: Metro Moneywise Credit Union and Manchester Care & Repair

In 2024, Metro Moneywise Credit Union and Manchester Care & Repair came together through a collaborative project as part of the Green Home Finance Accelerator (GHFA) Pilot programme.

Founded in 1990, Metro Moneywise Credit Union is an employee-based credit union based in Rochdale. They work with over 50 payroll partners, including the majority of the NHS Trusts in the Greater Manchester region. Metro Moneywise Credit Union is a founding member of the SoundPound consortium of Greater Manchester Credit Unions.

Manchester Care & Repair is both a member of the Green Home Improvement supply chain and a finance provider in their own right. They are a Home Improvement Agency: a local, trusted organisation that helps older, disabled and vulnerable people by offering reliable information and advice and supporting people to make modifications to their homes. Home Improvement Agencies exist across the UK, covering 82% of local authorities in England.

Manchester Care & Repair works with a small number of trusted contractors to carry out a range of home maintenance and Green Home Improvement works; they also have an in-house handyperson team. They also offer a range of finance options to their service users, including grants and loans, and are licensed by the FCA as a provider of consumer credit for the purposes of making loans to qualifying clients for home repairs purposes.

Manchester Care & Repair have built close relationships with the external contractors that they use and have a strong vetting process. Strong contractor relationships and a high level of technical expertise within their own staff team helps to ensure that their repair and maintenance work and Green Home Improvements are carried out to a high standard.

Through their GHFA collaboration, Metro Moneywise Credit Union and Manchester Care & Repair have discovered that their values and approaches are very complimentary. Their partnership is still in the early stages, but by collaborating on the development stage of a new loan product they have learned from each-other and improved their own processes.

After learning about Metro Moneywise Credit Union's lending processes through a workshop on the GHFA programme, Manchester Care & Repair have proactively improved

their own lending process e.g. by setting up the Nivo app. Learning from a Credit Union was really valuable for the Manchester Care & Repair team, who are well networked within the supply chain but lacked links to other FCA-regulated finance providers.

A future opportunity for Manchester Care & Repair is the ability to refer their service users to Credit Unions for Green Home Improvement loans. Many of the funding routes available to Manchester Care & Repair service users are based around strict eligibility criteria and income requirements. Where service users are close to the limits of eligibility, Manchester Care & Repair often have to pull together complex combined finance packages to ensure that their service users can afford to get the work that they need on their homes. This is a hassle for Manchester Care & Repair and also difficult for the service user.

By partnering with local Credit Unions in future, Manchester Care & Repair will be able to refer service users who don't qualify for their own finance products, simplify their combined finance packages, and ensure that people aren't left behind from making Green Home Improvements. Credit Unions' strong commitment to doing what's right for their members is a draw for Manchester Care & Repair in making these referrals, as they are a values-driven organisation often working with people in vulnerable circumstances.

This budding partnership shows how Credit Unions working together with actors in the Green Home Improvement supply chain who share values and approaches can be mutually beneficial for both parties.

Case Study: Clean Energy Credit Union's Registered Dealer Scheme

Clean Energy Credit Union is a not-for-profit, federally chartered credit union based in Colorado, USA, but operating nationwide. They focus exclusively on providing loans for clean energy and energy saving projects as they understand that there is a need to open the door to anyone who wants to be a part of and benefit from the clean energy movement.

They primarily lend for solar PV systems, but also ground-source heat pumps, Green Home Improvement loans, electric bikes and electric vehicles. Since they started lending in 2018, Clean Energy Credit Union has put on over 14,000 loans totalling over $250 million. They have over 10,000 members with over $50 million in member deposits. Through this loan programme they estimate that they have offset over 1 Million tonnes of CO2.

Clean Energy Credit Union offers both secured and unsecured green loans, with secured loans being secured with the system as the collateral and UCC1 filings: the UK equivalent would be registering a fixed charge on the installed equipment.

The Credit Union has developed strong partnerships with local, state and regional clean energy programs, such as The New York State Energy Research and Development Authority (NYSERDA), to offer rate discounts as part of their Clean Energy for All scheme.

To provide better service to their members and contractors/installers (aka “dealers”), Clean Energy Credit Union requires that solar and geothermal loan applicants work with a dealer who has been registered with the CU. To become registered, dealers have to apply using an online form which is assessed by the CU team.

If this initial enquiry is successful, the dealer will then complete a more comprehensive application which requires submission of company financials, business formation documents, tax returns and more. They also have to complete an interview with the Credit Union. If approved after the interview stage, the dealer will sign an agreement and be onboarded to the Clean Energy Credit Union Portal.

Clean Energy Credit Union wants to work with dealers who are solvent and have excellent reputations. When reviewing applications, they will consider how long the dealer has been operating, their financial stability, their staffing and qualifications, and their business practices. Working with high-quality, credible partners who will do a good job on the installation, and be around after installation to support the householders in the future, helps the Credit Union to look out for their members.

Dealers benefit from access to finance options with attractive interest rates and flexible terms, which can help them to reach new customers. There are no fees for the dealers to access the Credit Union financing.

Dealers also get access to an online dealer portal which makes it easy for dealers to send their customers directly to the loan, track progress on the project, send notes back and forth to the Credit Union, and get notified when the finance is in place and they can start installation. The online portal makes the experience better for both the dealer and the Credit Union as they have to spend less time on the phone following up on progress.

By developing a relationship between the lender and the dealer, Clean Energy Credit Union has grown the number of applications to their loans. Currently around 60% of Clean Energy Credit Union’s loan applications originate from their dealer programme.

Moving Ahead With Supply Chain Engagement

There is a strong case for Credit Unions to get involved in lending for Green Home Improvements and supporting their members to navigate the supply chain through guidance and/or direct engagement with the supply chain. Partnerships can bring new opportunities for both Credit Unions and their supply chain partners, widening their reach and increasing their impact.

Moving forward, your Credit Union might consider:

- Offering members guidance on the qualifications and/or certifications required to install different types of Green Home Improvements.
- Sharing information with members about questions they can ask contractors, consumer protections, and/or construction contract management.
- Requiring verification of contractor qualifications or certification as part of the lending process.
- Signposting members to a Home Improvement Agency or approved contractor(s).
- Partnering with a member of the supply chain to provide lending to their customers.

The methods you choose to use to engage with members around the supply chain will depend on your capacity, skills and strategy for Green Home Improvement lending.

If you want to continue your journey into Green Home Improvement lending, the Better Home Loan may be a good next step.

The Better Home Loan is a new lending product that has been developed collaboratively by ABCUL, Metro Moneywise CU, People Powered Retrofit, Carbon Co-op, Manchester Care & Repair, and the SoundPound Group of Credit Unions in Greater Manchester. It provides a model for Green Home Improvement Lending that offers participating Credit Unions access to guidance and marketing materials developed by Green Home Improvement experts, on-demand training for staff members, and standardised verification methodologies to improve data collection around the effectiveness of Green Home Improvements.

If you would like to learn more about the Better Home Loan, and how it could benefit your Credit Union, please contact Jake Hatch at ABCUL: jake.hatch@abcul.org.