



September 2023

# EXPLORING CONSUMER NEEDS FOR RETROFIT LENDING

**Credit Union Finance - A Place  
Based One-Stop Shop for Retrofit**

**PEOPLE  
POWERED  
RETROFIT**

# Executive summary

Exploring Consumer Needs for Retrofit Lending  
September 2023

We carried out research to discover the ways that members of Credit Unions and retrofit One-Stop Shops are currently financing retrofit work, as well as their attitudes towards borrowing for retrofit.

**We found that members of both types of organisation are carrying out energy efficiency and retrofit work using personal funds or savings, though the scale of their project budgets vary drastically.**

**Credit Union members have a keen interest in energy efficiency.**

90% felt that energy efficiency is important to them in some way, and 59% had completed some retrofit or energy efficiency measures on their homes already.

**However, their progress in installing further measures is hampered by a lack of access to funds.**

There is a strong appetite for government grants - with 1 in 2 English respondents and 4 in 5 of Scottish respondents taking or planning to take out a government grant to fund their retrofit.

**Takeup of Government grants and loans is hampered by complex applications and uncertainty over eligibility, as well as negative perceptions of borrowing.**

It's clear that householders need targeted advice and support to navigate a complex and ever-changing funding landscape.

**Credit Unions are in a strong position to provide finance for retrofit, as they're perceived by members and non-members alike as trusted community organisations.**

# Background

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There is an emerging body of research outlining the various financing options available for retrofit, and on finance as a potential barrier to retrofitting. Less attention has been given to the people behind the financial decision-making process.

As part of our goal of developing an integrated One-Stop Shop service that combines retrofit service delivery with finance, we have set out to understand the ways householders are currently financing their retrofit projects, as well as their attitudes towards different finance mechanisms.

Researchers have explored the relational aspects of retrofit, identifying in householders a 'mistrust' towards traditional lending, wanting to 'do things properly' and 'save up' consequently failing to 'engage with retrofit loan offerings'.

**In our research we aimed to uncover homeowner's attitudes towards lending and other models of retrofit finance.**

This summary report aims to share insights about potential borrowers' motivations and behaviours in order to inform further research and aid the development of finance options that meet homeowners' needs.

# Methodology

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With this research, we wanted to understand:

- How do owner-occupier members of Credit Unions and retrofit One-Stop Shops perceive borrowing for home retrofit?
  - What are their needs?
  - What is their risk appetite?
  - What barriers do they face?
- To what extent can a community-based approach to financing overcome these barriers and meet their needs?

To answer these questions we carried out three online surveys:

- Survey 1 was sent to members of Metro Moneywise Credit Union - 29 responses
- Survey 2 was sent to clients and investor-members of People Powered Retrofit and members of Carbon Coop - 61 responses
- Survey 3 was sent to members of Loco Home - 41 responses



# Members of Credit Unions and One-Stop Shop shops are already carrying out retrofit work, but with drastically different scales and budgets

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Credit Union members are very interested in energy efficiency. Most we heard from have already been motivated to carry out retrofit work in their homes.

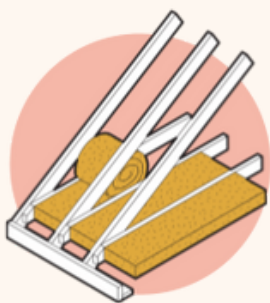
More than  
**90%**

of Credit Union members feel that energy efficiency is important to them in some way.

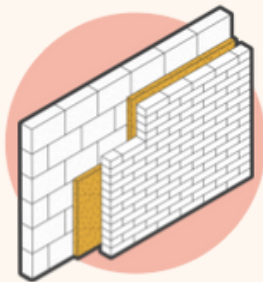
**59%**

of Credit Union members have already completed some retrofit or energy efficiency measures on their homes.

The top measures that Credit Union respondents had already installed are:



**Loft insulation (47%)**



**Internal, external or cavity wall insulation (35%)**



**New windows or doors (18%)**

Credit Union members have budgets of <£5000 - £30,000 for their retrofit projects, though 28% of respondents didn't know how much they'd be happy to spend on a retrofit. This highlights a potential need for advice on creating a costed retrofit plan, something that One-Stop Shops are well positioned to provide.



Members of Loco Home and clients of People Powered Retrofit (One-Stop Shops) and members of Carbon Coop are highly motivated early adopters of retrofit.

They're primarily motivated by a concern for the environment and the need to make their homes as energy efficient as possible. They're also very motivated by the cost of energy, a desire to reduce energy bills, and wanting a warmer, more comfortable home.

Their budgets span  
a wide range:

**<£5K to >£100K**

The majority of respondents  
had budgets of between:

**£10K-£50K**

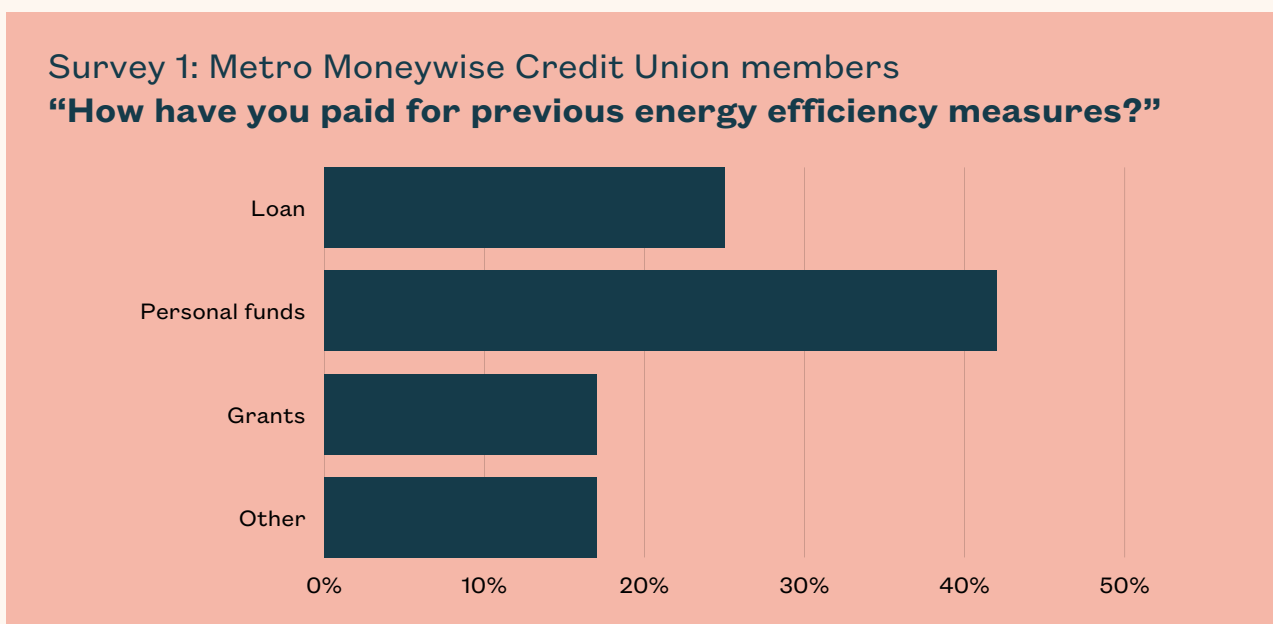
This is in alignment with research People Powered Retrofit conducted in 2019 and indicates that there has not been a substantial change in One-Stop Shop members' budgets - despite the change in economic climate since that time.

# Personal funds are the primary way homeowners finance their retrofit

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**Across all groups, personal funds were by far the most common way of financing retrofit measures.**

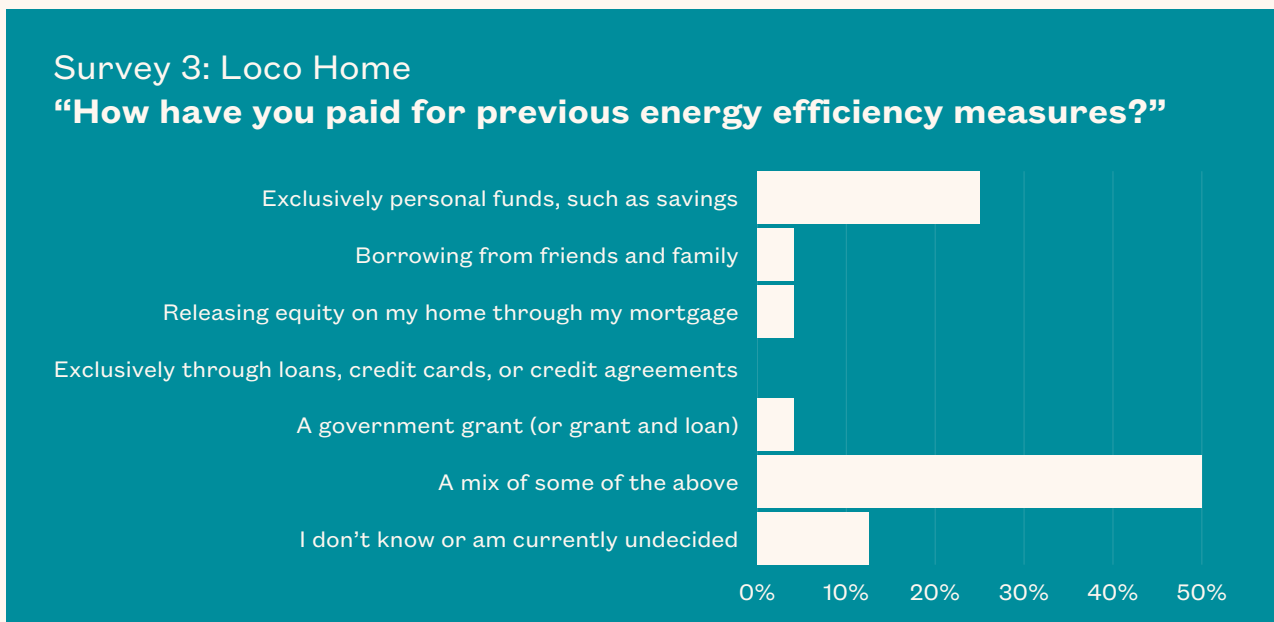
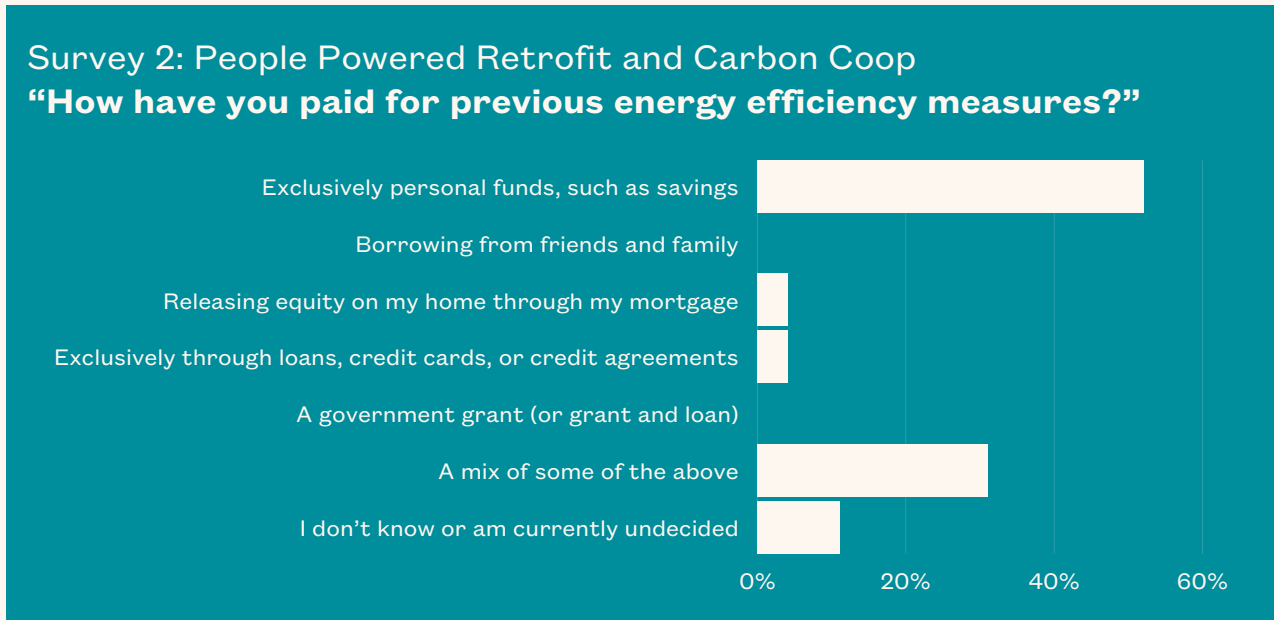
Out of the Credit Union members who had already carried out retrofit measures, 42% had used personal funds, 25% used loans and 17% used grants - such as the Warm Homes Scheme.



70% of Credit Union respondents had taken out loans from their Credit Union in the past. Out of these, 40% had used the loans for home improvements. Only 1 in 4 of those who had made home improvements also reported that they had carried out retrofit measures.

So, while ‘home improvements’ may not refer to the work we would typically consider as retrofit, it demonstrates Credit Union members’ willingness to borrow in order to carry out work on their homes. This behaviour should be considered when developing new loan products for Credit Union members.

One-Stop Shop members are also using personal funds to finance their retrofits. 1 in 2 People Powered Retrofit and Carbon Coop members are solely personal funds, with 1 in 4 Loco Home members reporting the same.



1 in 2 Loco Home members are using a mix of methods. This could be due to the fact that the government grant and loan mechanisms available in Scotland cover a wider range of retrofit works and have wider eligibility criteria than those currently available in England.

# Credit Union members who have started installing retrofit measures are hampered by a lack of access to funds

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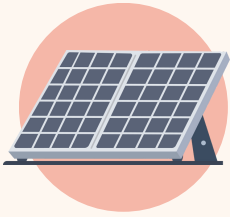
While energy efficiency is important to Credit Union members and many have started doing work on their homes, most are uncertain about carrying out any additional retrofit work in the near future.

Only 25% of respondents plan to install further measures in the near future, though 56% are looking to install more measures in the long-term.

The biggest barrier to carrying out further measures is access to funds, with 86% of Credit Union respondents saying they haven't been able to afford carrying out work all in one go.

**86% of  
Credit Union  
respondents  
haven't  
been able  
to afford  
carrying  
out retrofit  
work all in  
one go.**

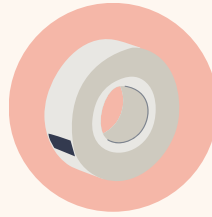
**The measures Credit Union members are most interested in installing in future are:**



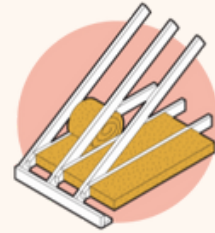
**Solar panels**



**New windows or doors**



**Draught proofing**



**Loft insulation**

As with the works already installed, the majority of measures that Credit Union members are considering are single-measure fabric upgrades or services such as heating or solar PV.

Credit Union members are possibly more likely to view these retrofit measures as one-off energy efficiency interventions, rather than a holistic retrofit project. This is important for Credit Unions to consider when communicating with members about retrofit.

**It also highlights a need for Credit Union members to be able to access quality retrofit advice to help them ensure that retrofit measures are appropriate and risks are mitigated.**

When asked about their budget for retrofit, over 1 in 4 Credit Union members said that they ‘don’t know’ what they would be happy to spend on a retrofit.

**This again highlights a need for advice to help Credit Union members understand what retrofit measures they need, as well as realistic financing options.**

**Over 1 in 4  
Credit Union  
members  
‘don’t know’  
what they  
would be  
happy to  
spend on a  
retrofit.**

# Persona 1: Anna and Tom

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**To illustrate the findings from our research, we developed three personas that capture themes from the survey responses.**

Anna and Tom are long standing Credit Union members, with two young children. They are both in full time employment and have substantial childcare costs.

They do not have particularly high savings and are very concerned about the cost of living crisis and about the cost of their energy bills which they have seen increase dramatically.

They would like to make their home more comfortable for their family but are not sure where to start or what they could afford. They've put off taking out a loan so far or doing any energy efficiency because they are not sure it is worth the cost.



# Takeup of grants is hindered by complex applications and a lack of support

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Of Credit Union members who had carried out retrofit works, 17% used government grants to finance their projects. In comparison, over half of People Powered Retrofit and Carbon Coop members, and more than 80% of Loco Home members, have or are planning to take out a government grant to fund their retrofit.

**17%**

of Credit Union members

More than  
**50%**

of People Powered Retrofit clients and members and Carbon Coop members

More than  
**80%**

of Loco Home members

The grant most often used by English One-Stop Shop members is the Boiler Upgrade Scheme (BUS). Some had also used the Renewable Heat Incentive (RHI) or Green Homes Grant when these were in operation.

The most common grant cited by Scottish One-Stop Shop members is the Home Energy Scotland (HES) grant.

**While government grants are clearly attractive to One-Stop Shop members, those who had already accessed these grants cited a number of issues:**

### **Confusing criteria and poor information about eligibility**

“It is difficult to understand the HES rules about what you can borrow for.”

### **A slow, difficult application process**

“First loan application was rejected and I had to wait for 6 months and ask for a smaller loan.”

“Home Energy Scotland loan (via EST) had restrictions on which companies could be employed for the measures we wanted to install, thus I don't think I got as much value for money. Also, the HES process was very slow and meant we could not get measures installed before winter this year.”

“Long wait (8 months) for approval of government grant (boiler upgrade scheme), although it was approved and it was over the summer and old boiler held on.”

### **Lack of support and communication throughout the process**

“Long wait times for a response, lack of clarity in understanding options, waiting for more attractive offers.”

“Limited support”

# Negative perceptions of borrowing result in low take-up of loans by One-Stop Shop members

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16% of One-Stop Shop respondents are not comfortable with borrowing for their retrofit, under any circumstances. A dislike of debt is a major factor. Some reported a concern about borrowing money when interest rates are already very high, leaving government grants and/or savings as the only viable finance option.

**Borrowing is seen by respondents as a 'faff' and less straightforward than using personal funds.**

Some respondents cited that they are too old or had too small of an income to qualify for borrowing. Some also cited a concern over the cost of living crisis and personal factors that would limit their ability to afford another monthly bill on top of already spiralling costs.

**16% of One-Stop Shop respondents are not comfortable with borrowing for their retrofit.**

Survey 2: People Powered Retrofit and Carbon Coop, and  
Survey 3: Loco Home

**On a scale of 1 - 10, how comfortable are you with borrowing for your retrofit? Could you tell us why you gave that answer?**

1/10 - "Lifestage, no longer earning."

2/10 - "We feel more comfortable to purchase outright and avoid debt where possible, and are privileged enough that this is usually possible, even if it means having less savings."

4/10 - "I don't like borrowing money. The mortgage is bad enough. The risk of not being able to pay it off if circumstances change and then losing the house etc. as a result."

5/10 - "Unsure on payback periods, and would be another set of debt on top of high mortgage rates"

6/10 - "I'm reluctant to take on extra debt, especially on top of a mortgage, but recognise that it would be silly not to ask for help from family when it can help."

7/10 - "I don't want to take on too large a debt while I am on a low income and because I want to be sure I have cleared debts before I retire."

Payback is not always a top concern to people when considering borrowing for retrofit. Out of 31 responses to this question across both Survey 2 and 3, payback periods are only cited twice as reason not to borrow.

This aligns with UK-GBC's recommendation that the 'retrofit narrative' move away from payback periods. UK-GBC suggests their limitation as a motivating factor, as they are often closely aligned with property tenure and fail to take into account other more emotional factors associated with decision-making.

# Persona 2: Ben

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Ben is a homeowner with a young family. He has fairly healthy savings and wants to use these to fund his retrofit. Ben is aware of the cost and the complexity involved in retrofit, but convinced of the benefits and motivated by the climate crisis. He wants to make sure he's making the right decisions and spending his money wisely, so works with a retrofit One-Stop Shop.

Ben's savings don't stretch to cover some more ambitious retrofit works. But he isn't comfortable with borrowing money and plans to delay his retrofit to keep saving up. As interest rates are high, and with children still living at home, he wants to ensure he has a liquidity he can draw on if needed. He is also not sure where he would go for loan even if he wanted one, as he finds dealing with his mortgage provider stressful.



# Householders need advice to navigate a complex and ever-changing funding landscape

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**28% of One-Stop Shop members have not made a decision on how they would finance their retrofit.**



For respondents across all One-Stop Shops who did not know - or are undecided about - how they would finance their retrofit, a lack of understanding of finance options is their main hurdle.

Uncertainty over grant funding causes One-Stop Shop members to stall their retrofit plans. 28% of One-Stop Shop members have not made a decision on how they would finance their retrofit. Many are concerned about making decisions that they would regret, especially if more grants become available in future.

One-Stop Shop members want guidance and support in order to make the right decisions on finance, and without this they may be tempted to stall their retrofit so as not to miss out on future grant opportunities.

Survey 2: People Powered Retrofit and Carbon Coop, and  
Survey 3: Loco Home

**Do you know how you are likely to finance your retrofit?  
If not, what do you think you need in order to make a decision  
about finance?**

“Easy access guides to what is available and associated cost of options”

“More readily understood information on grant availability and the overall personal cost.”

“Better info about just what government and other funding may be available to support the retrofit”

“Information about grants available to carry out suggestions in retrofit assessments e.g. triple glazing, heat pump, EWI.”

“If good grant or loan schemes become available I'd feel like I'd missed out maybe. I could delay my retrofit and uncertainty over issues like that only encourage me to wait.”

“Depending on price, I might wait for a change in government to see whether further retrofit subsidies might be made available.”

“I need to see what grants are available.”

Respondents feel that they don't fully understand available options for finance and require additional support in beginning to tackle the question of finance. They are hesitant about making a decision while unsure what government grants might become available, and need clarity about what finance might become available in future.

**A timely adoption of retrofit is crucial in order for the UK to meet our carbon reduction targets, so it is important for homeowners to take decisive action and access grants. Clearly communicated, well-timed and appropriate grants are needed - as well as the provision of advice and support to expedite homeowners' decision-making.**

# Credit Unions are in a strong position to provide finance for retrofit, as they're perceived by members and non-members alike as trusted community organisations.

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Credit Union respondents are very positive about their experiences borrowing from their Credit Union. They see borrowing from their Credit Unions as less risky, simpler, safer, and more comfortable than with other lenders.

**66%**

of Credit Union members rated their comfort level of borrowing from a Credit Union again as between 8/10 and 10/10.

**93%**

of Credit Union members agreed that they would prefer to borrow from a Credit Union over a commercial bank.

Survey 1: Metro Moneywise Credit Union members

**How comfortable would you be borrowing from a credit union to fund your retrofit? Could you explain why you gave that answer?**

10/10 - "Because I feel safer as savings go in every week. Interest is not as high. Don't trust banks. I trust Money Metrowise."

10/10 - "Always comfortable with my Credit Union. They know me. I have to jump through hoops with my bank"

10/10 - "Used Credit Union loans before and they are simple and made me feel safe and secure"

10/10 - "I have borrowed from a Credit Union previously and it was a very simple process."

These perceived benefits of Credit Union borrowing directly address One-Stop Shop members' perceptions of borrowing:

<b>Credit Union members' perceptions of borrowing from their Credit Union</b>	<b>One-Stop Shop members' perceptions of borrowing for their retrofit</b>
Less risky	Risky
Simpler	Complex
Comfortable	Difficult, stressful
Lower interest rates	High interest rates

76% of One-Stop Shop members had never been a member of a Credit Union.

However, when asked “What three words do you think best describes Credit Unions”, responses tended to mention community, people, ethics, and local context.

**One-Stop Shop members' perceptions of Credit Unions were overwhelmingly positive. Credit Unions are in a strong position to provide these homeowners with targeted services that address their borrowing concerns.**

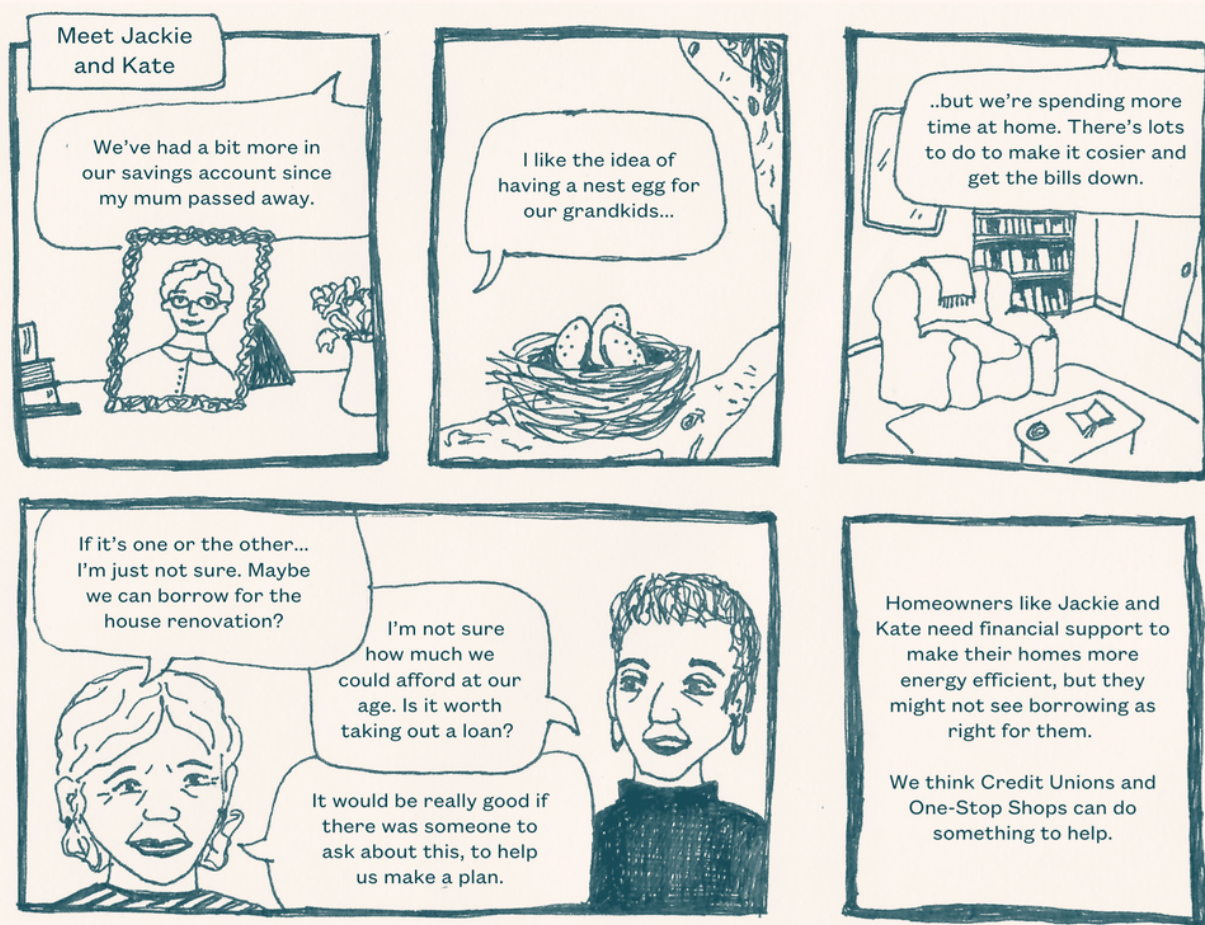
# Persona 3: Jackie and Kate

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Jackie and Kate are semi-retired, working two days a week, with two grown up children who have moved out. The home is the ‘family home’ where children and young grandchildren visit at weekends or special occasions. Jackie and Kate have paid off their mortgage; they are concerned about keeping the house warm and comfortable.

As Jackie was left some money after her mum passed away, she could use that money to do work on the couple’s home. Or, she could save the money away to help support her grandchildren as they grow.

Jackie is not sure what organisations would accept her for a loan, or how much they would give her, due to her age and the fact that she is semi-retired. She’s also not sure what work to do to future-proof their home.



# Conclusion

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Our research with members of Credit Unions and retrofit One-Stop Shops aimed to find out how they were currently financing retrofit work. We also wanted to understand their attitudes towards borrowing for retrofit.

We found that members of all organisations have a desire to carry out retrofit work, but faced a range of challenges when financing their projects.

**A lack of funds is one, crucial, barrier. However, even when funds are available via grants or loans, take-up is poor and hampered by a lack of understanding and confidence in available finance mechanisms.**

**Credit Unions are in a strong position to provide finance for retrofit, as they're perceived by members and non-members alike as trusted community organisations.**

It is important that Credit Unions develop compelling stories to homeowners to be able to overcome concerns about borrowing.

**There is a crucial role for integrated advice: advice that supports homeowners to make decisions about their retrofit measures and the appropriate ways to fund this work.**

While retrofit One-Stop Shop-shops are well placed to support homeowners with advice on technical aspects of retrofit, advice on finance is not currently well integrated into their process.

Understanding the outcomes of retrofit is also important to a range of stakeholders, and with Credit Unions currently holding limited data about home improvement loan lending there is lots of potential to improve this. As community organisations, there are shared interests in the social impacts of retrofit, and not just environmental outcomes.

**So, verification processes for loan products must be robust and take into account a range of outcomes, while still proportionate to the needs of householders, Credit Unions, and One-Stop Shops.**

When developing grant and finance schemes, policy makers need to understand the journey that householders are on and make sure that funds can be accessed at the right points. Independent advice can help householders to understand funding options and support them to make decisions. However, if government grants aren't designed appropriately for the complexity of the retrofit journey we will see more retrofit projects slowed or stalled.

**Recognising the importance of advice, and including it in the work covered by grants would also be greatly beneficial to the adoption of retrofit measures.**



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Carbon Co-op



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