Darren Jones MP
Chair, Business, Energy, and Industrial Strategy Committee
House of Commons
London SW1A 0AA

31 August 2022

Dear Mr Jones,

Energy efficiency in homes

Thank you for your letter of 19 July to Charlie Nunn, requesting details of the lending products that Lloyds Banking Group has made available for energy efficiency measures in residential homes and commercial buildings. Charlie has asked me to review and respond to your letter as Lloyds Banking Group's CEO of Consumer Lending.

As your committee's *Decarbonising heat in homes* report rightly identifies, achieving net zero by 2050 to a large extent will depend on having the right mix of policy targets, financial support and public engagement. We stand ready to share our insights and harness our customer relationships to develop the public policy response needed to deliver the government's targets.

With the UK's homes accounting for more than 20pc of the UK's carbon emissions, and the increased cost of living placing pressure on household and business finances, we recognise we have an important role to play in helping to improve the energy efficiency of the UK's buildings. We provided £2.4 billion of new ESG-linked financing in the social housing sector in 2021, have used our tools to assess the energy efficiency of around 240,000 social homes and have committed to provide £10 billion for green mortgages by 2024.

Please find the information you requested overleaf. We are at your disposal for any further information the committee may require.

Yours sincerely

Jasjyot Singh

CEO, Consumer Lending
Lloyds Banking Group

PRODUCTS AND SUPPORT AVAILABLE TO OUR RESIDENTIAL MORTGAGE CUSTOMERS

Financial products

- Between 7 February and 31 July 2022 we launched the 'Eco Home Reward' and 'Green Living Reward' through our Lloyds and Halifax brands respectively. Qualifying mortgage customers are able to claim cashback of £500 when making one or more approved improvements to the thermal performance of their homes. This increases to £1,000 when customers purchase and install low carbon heating systems and can be used in addition to the £5,000 - £6,000 grant available through the government's Boiler Upgrade Scheme. These products will be relaunched later this year.

- Our Halifax brand offers £250 cashback when customers purchase a home with an A or B Energy Performance Certificate (EPC) rating.

- Under our Birmingham Midshires brand, customers purchasing or refinancing a buy-to-let property with an EPC rating C or above are entitled to a lower interest rate on their mortgage.

- We offer customers a range of unsecured lending options that can be used to finance energy efficiency measures including loans and credit cards.

Education and practical tools

- Our Lloyds Bank Eco Home Hub and Halifax Green Living Hub host a wealth of resources that help customers navigate government schemes, provide guidance on the financial support available to help fund improvements and offers other tips on how to make their home more sustainable. Through these hubs, customers have access to the Lloyds Bank Eco Home Tool and Halifax Home Energy Saving Tool. By entering details such as property type, year of build, heating source and size of current energy bills, customers receive a personalised action plan to retrofit their home.

- For further impartial guidance on improving the energy efficiency of their homes, our Halifax and Lloyds customers can use our Home Energy Efficiency Support Line to speak to independent advisers from Energy Saving Trust. We also run online events with Energy Saving Trust.

- We have replicated our Halifax Home Energy Saving Tool on our Halifax Intermediaries website to enable mortgage brokers to support customers with energy efficiency improvement measures and signpost to further guidance.

- Halifax home insurance customers making a claim for a leak or water damage are able to download the My Carbon Manager app, which acts as a 'one-stop guide' on how policyholders can make their homes more environmentally friendly before looking for suppliers for repair work.

Future developments

- We are currently building the capability to capture and validate a customer's EPC rating as part of the mortgage application journey. Improved EPC data coverage across our new business will help us better understand, monitor and reduce the carbon emissions we finance through mortgage lending.

PRODUCTS AND SUPPORT AVAILABLE TO OUR BUSINESS CUSTOMERS

Financial products

- In July, we launched our new Sustainable Finance Framework, which sets out how the Group will help housebuilders to access finance to build more sustainable homes. This could be through one of our three propositions:

    1. The Clean Growth Financing Initiative which provides discounted financing for sustainability projects for smaller and medium sized housebuilders

    2. Sustainable Development Loans which provide discounted financing for sustainability projects within the housebuilding sector for larger clients

    3. Sustainability-Linked Loans available for larger customers, which incentivises achievement of ambitious, predetermined sustainability performance objectives

- We are supporting our real estate clients to re-finance their existing green assets through our new Green Commercial Mortgage.

Development of standards and practical tools

- To help support a move towards sustainable buildings more widely, our commercial customers have access to our free to use Green Buildings Tool. This is a digital insights calculator that helps to identify, evaluate, and build an understanding of the outcomes of potential investments to make properties greener. Using the Green Buildings Tool, we have mapped the energy efficiency of around 240,000 social homes owned and managed by our customers, so they can calculate the investment required to improve EPC ratings.

- In 2021 we joined the Executive Committee of NextGeneration, alongside the UK Green Building Council and Homes England, to help drive the creation of sustainability standards for new build homes in the UK. NextGeneration have developed a national sustainability benchmark which supports the UK's largest housebuilders in achieving the highest level of sustainability credentials.