

CHEAT SHEET:

What is a 'Green mortgage'?

To support the July 2024 Webinar:

What is a 'Green mortgage'? Industry experts weigh in.

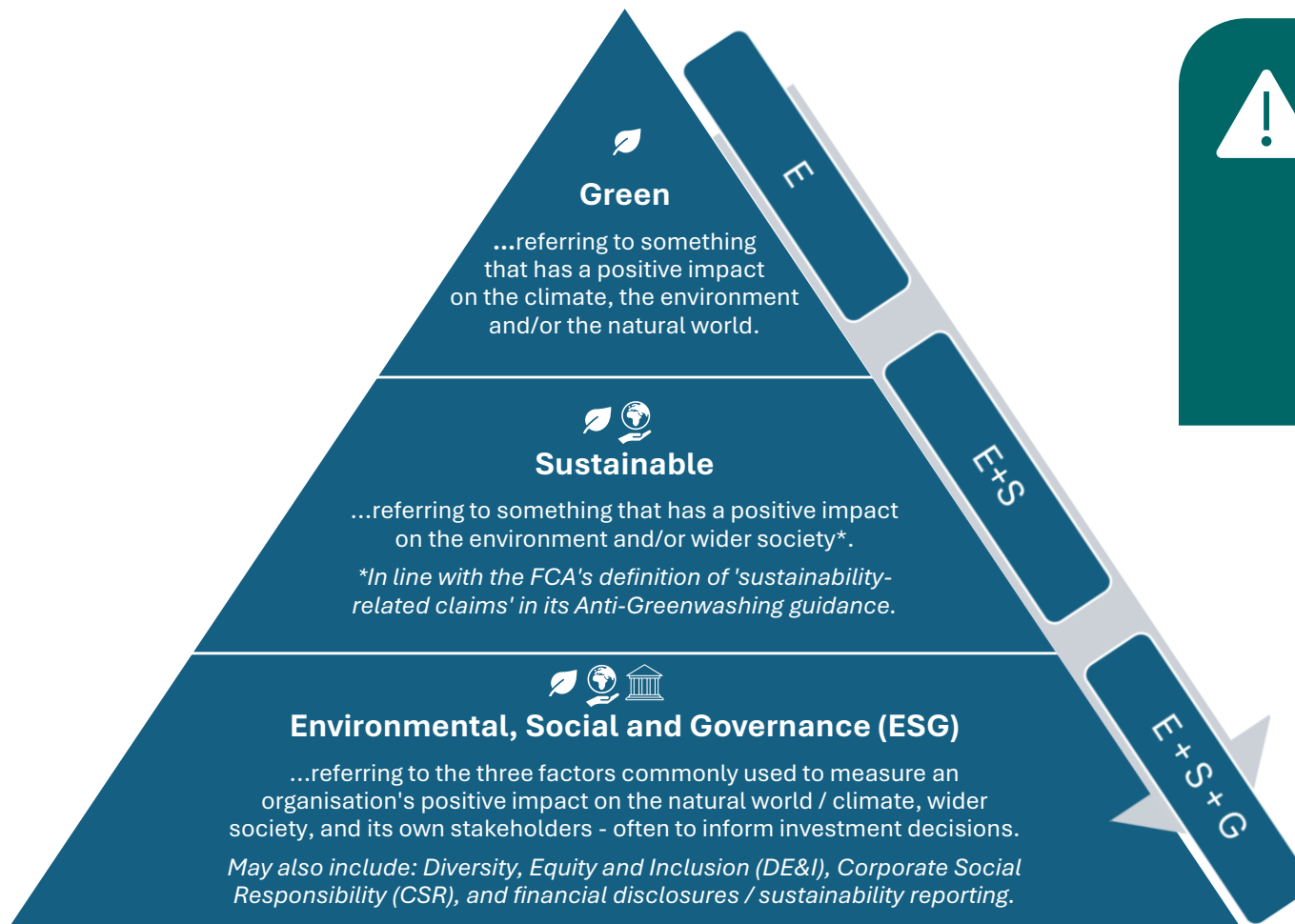
[Available to rewatch here.](#)



**GREEN
MORTGAGE
ADVICE
INITIATIVE**

Intermediary or lender use only. Not to be used with consumers.

What is the difference between... 'Green', 'Sustainable' and 'ESG'?



In reality *the distinctions are sometimes blurred* due to overlapping regulatory definitions / different meanings in different contexts, *but this framework broadly reflects how these terms are used in practice*, and helps to show why they are not interchangeable...



Read more:

- [ESG – Environment, Social and Governance](#)
- [Scopes 1, 2 and 3 emissions](#)
- [CSR – Corporate Social Responsibility](#)
- [FCA Anti-Greenwashing Guidance](#)

What is a 'Green mortgage'...

in today's market?

What a green mortgage is...

1. Reward (for owning/choosing to buy an energy efficient home)

- Via **product features** (e.g. cashback, rate discount - specific to one mortgage product)
- Via **enhanced affordability propositions** (e.g. higher borrowing permitted on more energy efficient homes across a range of mortgage products)

2. Retrofit (finance to help the owner improve their home's energy efficiency)

- **Secured lending for green home improvements** (more 'DIY' - works managed by the consumer)
- **Integrated solutions** – retrofit solutions built into the mortgage advice/lending journey (more 'done for you')

What a green mortgage is not...

Firm-level Environmental, Social and Governance (ESG) credentials alone are not enough make a mortgage product or proposition 'green'

'Standard' mortgage products marketed with sustainability-related claims but which don't reward – or retrofit towards – home energy efficiency

E.g. Planting X number of trees for every mortgage sold

X No regulatory definition currently exists

- Regulatory returns data doesn't differentiate between 'green' and 'standard' mortgages

X No standard industry definition currently exists

- Different lenders might use a range of terms to mean the same or different things, depending on their own policies



Lenders measure home energy efficiency in different ways. Often an 'EPC' rating of A or B is considered efficient enough for a property to be considered 'green'... but this doesn't mean the property has achieved 'net zero' carbon emissions.

Read more:

- [EPC – Energy Performance Certificates](#)
- [SAP – Standard Assessment Procedure ratings](#)
- [The Green Finance Institute's \(GFI\) Green Mortgage Hub](#)

Helping consumers to understand...

'Green home finance' Vs. 'Green mortgages'?

The FCA stated in its [inaugural speech on green mortgages](#) that: "...the reference to 'green' relates to the property the mortgage is taken out on, rather than the mortgage itself. So perhaps '**green home finance**' is a more accurate term?"

However, if the mortgage is a **green home finance product** (i.e. designed to 'reward' or 'retrofit' a property for energy efficiency purposes)...

'Green mortgage' is the term consumers are probably going to find it easier to understand.

Many lenders are therefore reluctant to use the term '**green mortgage**' in their product descriptions, in favour of 'energy efficient mortgage' or similar...

...trying to explain the distinction between a '**green mortgage**' and a '**green home finance product**' may cause more confusion for consumers.



Remember

The FCA's [Anti-Greenwashing guidance](#) requires firms to consider the '**full life cycle of the product or service**' when making '**sustainability-related claims**' about what they sell.

- Many consumers think '**sustainable**' = '**sustainably sourced**'.
- Most if not all green mortgages on the market today are 'green' because of what they are trying to do, **not where they have come from nor how they were made**.
- Advisers therefore need to make sure consumers understand this.

Know the difference between:



On a **sustainable course**...

Vs.



...from a **sustainable source**.



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