



Submission to the Energy and Climate Change Committee Inquiry

The Green Deal: Watching Brief (Part 2)

From the Association of Residential Letting Agents (ARLA)

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Background:

1. The Association of Residential Lettings Agents (ARLA) was formed in 1981 as the professional and regulatory body for letting agents in the UK. Today ARLA is recognised by government, local authorities, consumer interest groups and the media as the leading professional body in the private rented sector.
2. In May 2009 ARLA became the first body in the letting and property management industry to introduce a licensing scheme for all members to promote the highest standards of practice in this important and growing sector of the property market.
3. ARLA members are governed by Codes of Practice providing a framework of ethical and professional standards, at a level far higher than the law demands, and the Association has its own complaints and disciplinary procedures so that any dispute is dealt with efficiently and fairly.

ARLA's view of the Green Deal and ECO:

4. ARLA has supported the concept of the Green Deal since it was first announced in the Coalition Agreement. We have been involved in numerous Working Groups and forums established by the Department for Energy and Climate Change (DECC) that have advised on the development of both the primary and secondary legislation as well as the implementation of the scheme.
5. The Green Deal is the first energy efficiency scheme which has overcome the 'Split Incentive' (the landlord pays and the tenant benefits). ECO is also the first subsidy scheme which largely focuses on the property rather than the occupier; especially the Carbon Emissions Reduction



Obligation (CERO). This is particularly important as it is the property owner's responsibility (the landlord) to maintain and improve the fabric of the building and yet most previous schemes have focused funding on the occupier (the tenant) who has no responsibility in this regard.

6. Therefore, when combined, the Green Deal and ECO have the potential to be very successful in the private rented sector. However, we are becoming increasingly concerned that the complexity, delays, legal errors and negative media are having a significantly detrimental impact on the future success of the scheme; particularly for the private rented sector.

Public Awareness and Communications:

Question: Is the level of public awareness of the Green Deal satisfactory?

7. No. Based on feedback from both landlord and letting agent forums, where the Green Deal has been presented and discussed, there is limited knowledge of the Green Deal among landlords, tenants and letting agents. Even where people have heard of the scheme, their understanding of its benefits and how it works in practice are severely limited.

Question: How effective have DECC's communications regarding the Green Deal been?

8. The factsheets prepared and published by DECC last year have been generally well received. Landlords have found the "Residential Landlord"¹ factsheet clear, concise and easy to understand. However, no factsheet has been prepared for private tenants. There is a factsheet for "Social Housing Tenants"² that is entirely applicable to private tenants but many landlords and letting agents are unwilling to give this factsheet to private tenants as it does not address them specifically. This issue has been brought to the attention of DECC on many occasions and whilst promises to amend the factsheets have been given, no progress has been made to date on publishing either a generic "Tenant" factsheet or a specific "Private Rented Tenant" factsheet. This has hampered landlords and agents ability to provide government-backed advice to tenants.
9. We also feel that DECC has focused on the wrong key message in many of its communications. In this time of austerity and financial hardship for many, people are trying to find ways of saving

¹ Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/65555/6636-quick-guide-to-the-green-deal-for-residential-land.pdf

² Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/65556/6637-quick-guide-to-the-green-deal-for-social-housing-t.pdf



money. This is the fundamental principle behind the Green Deal. However, all of DECCs communication material focuses on “energy-saving home improvements”. In discussion with DECC officials we have argued that firstly, “energy-saving” does not give the impression of reduced fuel bills and better thermal comfort at home; and secondly, that “home improvement” will be seen by consumers as spending money they do not have. We firmly believe that, in order to achieve better take-up, the key message in all communications must be that the Green Deal creates warmer homes that are cheaper to heat.

10. The Green Deal is a complex process. When giving Green Deal presentations to landlords and letting agents, we have found that many fail to grasp the concept and importance of the Golden Rule and exactly how Green Deal and ECO interact. Suitable explanations have not been provided in DECC communications.
11. We also do not feel that the posters or newspaper advertisements created by DECC gained any traction with the general public as the slogan “Green Deal with it” and accompanying visuals did not convey the key messages.

Question: Has the cashback incentive been effective in raising awareness and take-up of the Green Deal?

12. We do not feel the cashback incentive has been effective in raising awareness of the Green Deal but do believe that it has been beneficial in increasing take-up.
13. For the private rented sector, the cashback has been successful in improving a landlord’s ability to gain consent to the works from tenants (as the cashback goes to the tenant as the Bill Payer). In some areas of the country, £1,000 (the original maximum cashback entitlement) is the equivalent of two months’ rent. It has therefore been seen as a method of persuading tenants to accommodate the disruption to their homes and lives caused by the works being carried out.
14. However, due to the issues detailed in response to later questions, the private rented sector has been unable to take advantage of the cashback in the way envisaged in the previous paragraph because Green Deal finance has not been available. Although the cashback has now been extended until June 2014, many landlords and tenants feel they have been denied their opportunity to take advantage of the cashback. In turn, this has damaged the credibility of the Green Deal as a whole.



Take-up Levels:

Question: Are take-up levels for the Green Deal satisfactory?

15. Take-up levels for the Green Deal in the private rented sector have not been satisfactory. As a result of the inability to obtain Green Deal finance, due to Section 189 of the Consumer Credit Act 1974 (CCA), until the Consumer Credit Act 1974 (Green Deal) (Amendment) Order 2014 is brought into force, it is impossible for landlords to take advantage of the Green Deal. ARLA highlighted the problem with the Consumer Credit Act to the DECC through the Maximising Energy Efficiency in Buildings Forum during 2011. However, it was not until April 2013 that DECC began to act and the issue still remains unresolved.

16. We would also like to raise concerns over doorstep selling practices. At a forum arranged by National Energy Action and British Gas, in Newcastle last year, it was brought to our attention that people, purporting to be from British Gas, were door-knocking and offering tenants access to ECO funding. British Gas stated they were not undertaking any such practices and, on further investigation, it was uncovered the people in question were attempting to gather support from the local community in order to put a bid into the ECO brokerage. However, they were promising more than could be delivered which put landlords and agents in a very difficult position of having to say no to tenants, who were interested in getting work done, because the landlord knew that what was offered could not be delivered. We have also been made aware of such practices in other UK towns and cities.

17. There is also an issue around local authority knowledge of the Green Deal and ECO. Having attended several local authority forums, where Green Deal and ECO have been discussed, many local authority officers do not have a sufficient understanding of the scheme to provide useful advice to landlords. We believe that DECC could do more to train local authority officers, who work with the private rented sector, on the detail and practical implementation of the scheme.

18. We are also concerned that several local authorities are operating ECO-only programmes. This is not how the scheme was designed to operate. The result is landlords not undertaking whole-house retrofits and being asked for large contributions of own-funding where ECO does not cover the costs of the works (often where Green Deal funding could have covered some, if not all, of the funding gap). This is causing negativity and resentment in the scheme and we believe that DECC should do more to end this practice.

19. Finally, the level of ECO funding is also becoming a problem with ECO offers covering only around one-third of the costs of measures. The scheme was designed and predicated on the



premise there should be “no up-front costs” for property owners when combining Green Deal and ECO for a suitable and sustainable whole-house retrofit. Unfortunately, this is far from the case and many people are being asked for significant amounts of up-front finance in order to get works undertaken (particularly solid wall insulation). Unless this issue is resolved, consumer confidence in the scheme will continue to fall and resentment that what was promised could not be delivered will increase exponentially.

Question: Are there key points of the Green Deal process at which customers are dropping out? If so, why?

20. Whilst 9,976 Green Deal Assessments were undertaken in the private rented sector by 30 September 2013³, no Green Deal Plans have been signed and no measures installed because of the inability to obtain Green Deal finance. Therefore, at this point in time, 100% of the private rented sector drops out at the Green Deal Assessment stage.

Question: Is there any evidence that customers are installing energy efficiency measures on the back of Green Deal advice but not using Green Deal Finance?

21. We are not aware of any landlord who has installed measures as a result of a GDAR. Nonetheless, we are aware of landlords who have identified Home Heating Cost Reduction Obligation (HHCRO) eligible tenants and taken advantage of the offers provided by British Gas for replacement boilers. Some landlords have also taken advantage of the cashback offer to get new boilers after seeing adverts on radio and television; again from British Gas.

22. However, we have received anecdotal evidence that some landlords, after receiving their Green Deal Assessment Reports (GDARs) have been so keen to take advantage of the Green Deal that they were willing to take over paying the utility bills at the property (i.e. making the landlord both the Improver and the Bill Payer, thereby overcoming the problem with the CCA). This involves an entire change in their business models from a tenant paying the rent to the landlord and the utility bills to a utility provider, to the landlord charging a rent inclusive of utility bills. This opens a landlord to potentially significant additional costs. However, despite this willingness to change their business models to overcome legitimate legal issues, Green Deal Providers have still refused to offer Green Deal finance on the basis that the properties are rented and they will not consider any privately rented property for Green Deal finance until the CCA issue is resolved.

³ Domestic Green Deal, Energy Company Obligation and Insulation Levels in Great Britain, Quarterly Report; 19 December 2013, Table 1.3, p.22



Access to the Green Deal and ECO:

Question: Is access to the Green Deal satisfactory?

23. For the reasons outlined in the “Take-up Levels” section of this Call for Evidence, it is ARLA’s belief that access to the Green Deal is entirely unsatisfactory in the private rented sector.

Question: Are any particular groups of people benefitting disproportionately or failing to benefit from the Green Deal and ECO?

24. For the reasons stated in previous answers, the private rented sector is currently prevented from accessing Green Deal finance and therefore failing to benefit from the Green Deal at all.

25. As the Green Deal and ECO are designed to work in tandem, the inability to access Green Deal finance means the sector is also currently finding it extremely difficult to take advantage of ECO; particularly CERO and the Carbon Saving Communities Obligation (CSCO).

Customer Satisfaction:

Question: Is the Green Deal providing customer satisfaction?

Question: How satisfied have customers been with the different stages of the Green Deal process and with different Green Deal providers?

Question: Are satisfaction levels disproportionately high or low for any particular group of people?

26. Anecdotal evidence suggests that customers are satisfied with their Green Deal Assessments. Some have found the format of the GDARs overly complicated (for example with several tables providing different financial information) that has resulted in confusion for both landlords and tenants. However, we believe many of these issues have now been rectified.

27. We are also aware of several complaints that Green Deal Assessors were not properly trained on how to undertake Green Deal Assessments for multi-occupancy properties (both Houses in Multiple Occupation and blocks of flats). Upon further investigation, it was found that conflicting, contradictory and inaccurate information was provided in the guidance documents and training materials for Green Deal Advisors. We understand this problem has since been rectified.



28. Further, the delays, problems with implementation and inability to gain access to Green Deal finance detailed in previous answers has meant that significant levels of dissatisfaction have arisen within the private rented sector.
29. It is therefore our belief that the Green Deal is currently providing extremely low levels of customer satisfaction for private landlords, tenants and letting agents.

Evaluation and Monitoring:

Question: Are DECC's stated aims and objectives for the Green Deal and ECO satisfactory?

Question: Is DECC's approach to evaluating the success of the Green Deal and ECO clear and robust?

30. We do believe that DECC's aims for the Green Deal and ECO are satisfactory. However, as we have stated in response to previous answers, we are concerned that DECC's focus is misplaced when evaluating the success of the Green Deal and ECO.
31. It is our contention that consumers (owner-occupiers, private landlords and tenants) do not fully understand "tons of carbon saved" and yet it appears this has become the tool used by DECC to evaluate the success of the Green Deal. Whilst we accept that reducing the carbon footprint of the UK is of paramount importance, the Green Deal is a scheme designed to improve the energy efficiency of the UK's housing stock. Installing energy efficiency improvements into the existing housing stock will, in turn, reduce the nation's carbon footprint. We would therefore argue that the effectiveness of the Green Deal should instead be evaluated by the number and types of measures installed into the existing housing stock.
32. We also believe the evaluation should be broken down by housing tenure, property type and whether the improvements are stand alone or part of a whole house retrofit. Such an analysis would enable clear gaps in the current provisions of both Green Deal and ECO to be identified so that targeted action can be undertaken to improve uptake in areas of the market where Green Deal and ECO is not delivering.
33. The energy companies are required to deliver ECO in the most cost effective manner. We are therefore concerned that this may force them to look for large scale projects. Unfortunately, this is not going to be possible for the private rented sector (or owner-occupied sector) as most



landlords only own one or two properties. Therefore, consideration must be given to how numerous individual projects can be achieved.

34. There should also be a thorough analysis of ECO uptake by tenure to ensure that funding is not being funnelled into one sector and ensure there are mechanisms in place to redress the balance if this becomes apparent. Whilst much of this analysis is currently being undertaken, we do not feel sufficient emphasis is being placed upon it by officials at either DECC or OfGem.

Question: Is DECC collaborating with other organisations to maximise its understanding of how the Green Deal is performing?

35. To date, DECC has been very willing to engage with the private rented sector and several industry forums have been created to advise on the development and implementation of the Green Deal and ECO. ARLA, along with many of the other key industry stakeholders, has been involved in groups including the Maximising Energy Efficiency in Buildings Forum (MEEB) and its private rented sector sub-group; the Green Deal Advice, Qualification and Accreditation Forum; the Hard to Reach Households Panel chaired by Laura Sandys MP; and the Private Rented Sector Regulations Working Group.

36. Unfortunately, most of these groups were facilitated by the Energy Efficiency Partnership for Buildings (EEPb) which has now been dissolved. As such, there is currently no forum that is looking specifically at energy efficiency issues in the private rented sector. If it were to have the backing of DECC Minister's and the involvement of key officials, ARLA would be keen to establish and facilitate such an industry forum.

Improving the Green Deal and ECO:

Question: How robust are DECC's recent proposals to streamline and improve the Green Deal and to reduce the cost of ECO?

37. The recent amendments to the ECO Order, making it easier for landlords to take advantage of ECO (particularly the CERO element) is very welcome. It will remove confusion and concerns around when the measures need to be installed and when a tenant is required to take up occupation of the property. This clearly demonstrates that DECC has an understanding of the nuances of improving properties in the private rented sector and has learned lessons from the Carbon Emissions Reduction Target (CERT).



38. We also welcome the current proposals to create private rented sector specific incentives and look forward to hearing more details on how these incentives will work.
39. In addition, we are pleased that DECC has heeded the call of the industry to set out the secondary legislation for the 2016 and 2018 private rented sector regulations in a timely manner. There have been situations over the last 20 years where landlords have made alterations to their properties, in advance of regulation, only to find that the regulations changed shortly before coming into force which in turn required early-adopting landlords to make further alterations to their properties. Having regulatory certainty four years in advance of the legislation coming into force will provide landlords with the regulatory certainty to include energy efficiency retrofits in their long-term business plans.
40. However, we are concerned that recent changes to ECO will cause a temporary hiatus in the provision of ECO just at the moment when Green Deal finance will become available to the private rented sector. This will make it difficult for landlords to take full advantage of a combined Green Deal and ECO offering and therefore further delay implementation of the scheme in the sector.

Question: Could DECC take further action to improve the Green Deal and ECO?

41. We would like to take this opportunity to raise an issue around the Green Deal process as a whole. We have received feedback from a number of landlords and letting agents that there is only a single 'one-stop shop' for Green Deal and ECO who can undertake the whole process (British Gas). People have found that, when approaching a Green Deal Provider with a GDAR, the Provider is requiring a second assessment be undertaken by a GDAO they work with (to effectively confirm the result and accuracy of the first assessment) before they are willing to offer Green Deal finance. This is not the spirit of the Green Deal process and DECC should investigate this practice with a view to setting out clear guidelines on when a second GDAR can and should be requested.
42. However, until it is possible to take advantage of the Green Deal and ECO in the private rented sector, we are not able to provide a more detailed response to this question. ARLA therefore implores DECC in the strongest possible terms to resolve the legal and legislative issues with the Green Deal and ECO so that the private rented sector can begin to benefit from the scheme.