

The Green Deal Finance Company

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Local Energy Efficiency Network 2014

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Finance Company*

The GDFC is a 'not-for-profit' company set up by industry participants and other stakeholders. It was incorporated on 7th March 2012 and has 54 members and 65 providers cleared to sell plans

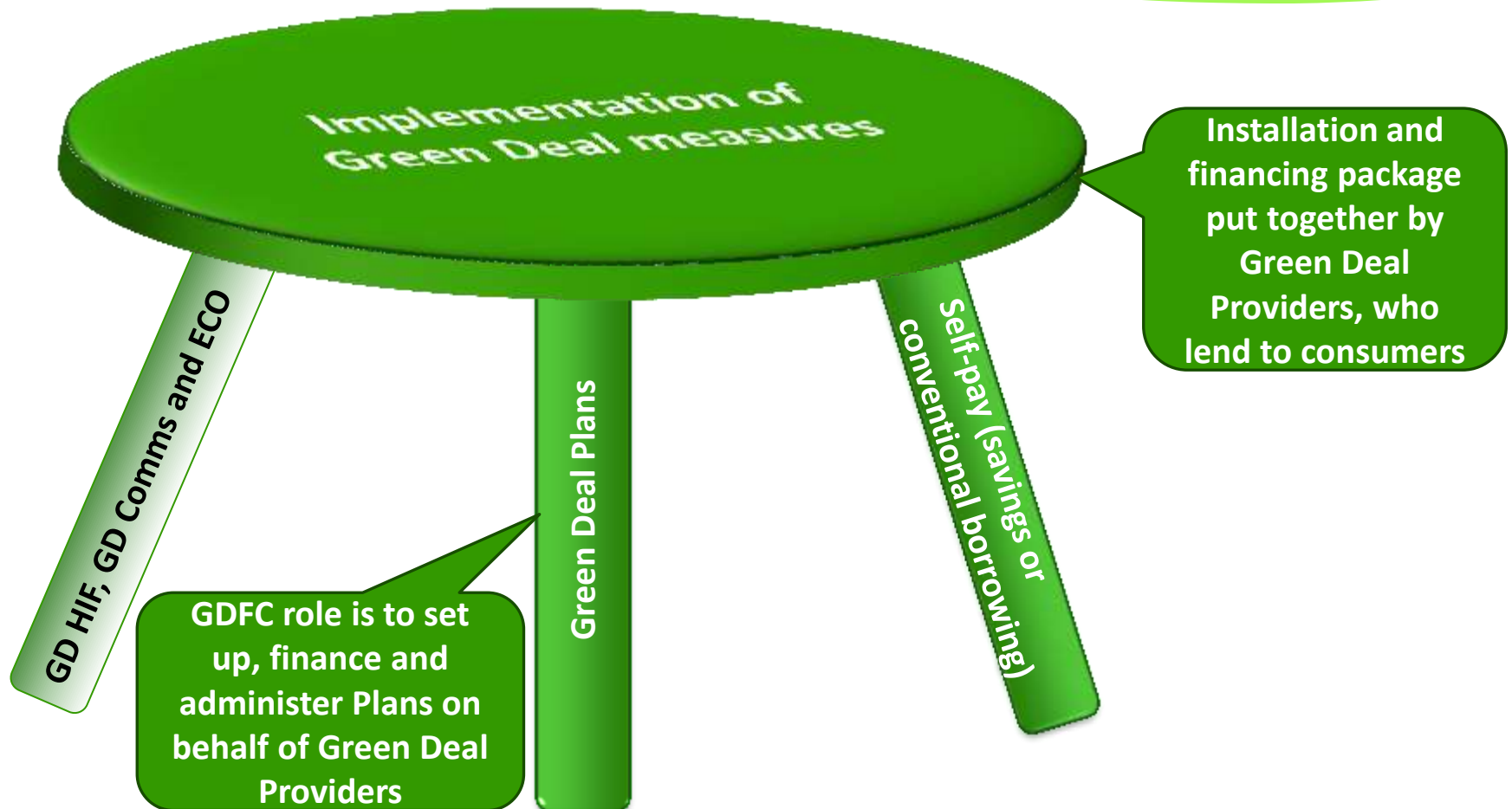
The company has a small but committed team of some 17 people (FTEs)

The GDFC's role is to set-up, finance and administer Green Deal Plans in the Green Deal programme. It finances the Green Deal by purchasing Green Deal Plans from Green Deal Providers once the related Green Deal measures have been installed and accepted by the consumer

As a debt administration vehicle, the GDFC does not itself deal directly with consumers or market or sell Plans to them.

Green Deal finance – not the only option for financing Green Deal measures

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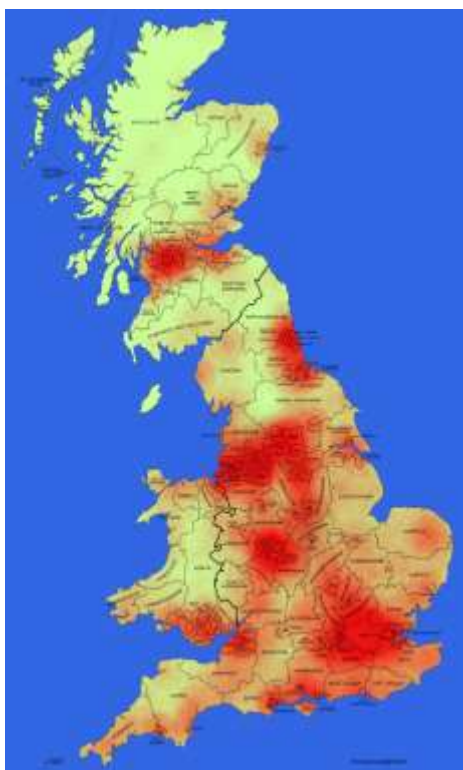


Progress on demand

- As at 31st October, GDFC had 7,391 Plans on its system totalling £26.49m
- Average 461 applications per week
- 486 applications last week

Distribution of UK Population, Green Deal Plans and Green Deal Providers

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Population Heat Map



Density



Location of Plans



Plan
live



Plan
ongoing



Location of GDPs



GDPs
live
65



GDPs
close to
live 24



GDPs
applying
24

GDFC has promoted simplification

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e.g. summarising this lot....

with this....



Focus on
savings
potential...

and other £
benefits



- complex
- no sense of the benefits of a Green Deal Plan

Progress on demand

45 different measures available
for Green Deal finance

Only 10 are in more than 1% of
Plans

Top measures:

- have additional benefits
beyond carbon saving
- are high value

Measures in order of incidence

Condensing boiler

Solar PV

External Wall Insulation

Loft insulation

Floor insulation

Heating controls

Cavity wall insulation

Heating system insulation

Internal wall insulation

Innovative hot water systems

In > 25%
of Plans

In > 10%
of Plans

In > 1%
of Plans

GDFC has used its finance to create a competitive fixed-rate funding product

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All GDFC's profits will be applied to reducing the rate we offer to finance Green Deal Plans

Without the need to pay a dividend return, and by capitalising on a low default rate, we can finance Green Deal Plans on the following basis:

- interest rate of 6.96% per annum
- set-up cost of £63.24 and an annual administration charge of £18.25
- no early repayment charge

The APRs for Green Deal Plans work out as follows:-

£1,500			£2,500			£5,000	
Term	APR		Term	APR		Term	APR
10	10.3%		10	9.1%		10	8.2%
15	9.8%		15	8.8%		15	8.0%
20	9.6%		20	8.6%		20	7.9%
25	9.4%		25	8.5%		25	7.9%

Terms of Green Deal Plans range from 10 to 20 or 25 years, enabling repayments to match expected energy savings and making them intrinsically affordable, and there is no charge for early repayment

The interest rate and charges are fixed for the full term of the Plan, and the same pricing is available to everyone who satisfies the credit threshold

GDFC has used its finance to create a competitive fixed-rate funding product

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Capital Economics have carried out a review of our competitiveness:

- Green Deal Plans are typically the cheapest unsecured source of finance (as measured by APR) for £5,000 loans and remain competitive down to £1,500
- we can finance £5,000 Plans at 7.9% for 20 years; no other fixed rate offers for more than 10 years
- best offers on the high street with APRs under 10% have to be available to only 51% of successful applicants
- the average credit card rate is currently 17.2% and average cost of unsecured bank loans is 10.4%

Markets expect base rates to rise, making our fixed rate plans even more competitive

Consumer credit on the High Street or via the internet is typically available for 2 to 5 years and, except for impeccable credits, APRs for unsecured loans for more than 10 years are in the high teens



19%



A financing product that is widely available to consumers

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Low default rate allows us to offer Green Deal Plans to c.80% of the population (90% of those not in default under any financial obligation)

Normal consumer credit is available to around only half the population, and only 1/3rd of the population have mortgages

As a result, Green Deal Plans are available to about 30% of the population who otherwise could not raise the money to finance the up-front cost of making energy efficiency improvements to their homes



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“Comparative analysis of the finance package offered by the [GDFC] shows that it is actually competitive with other financial products when compared on a like-for-like basis”



“The best rate for people with a good credit history is currently 5.1%, though for people with a normal credit history, Green Deal rates on offer could look more attractive”

Which?