



Department for
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Dear John,

I am writing following the Lords' SI debate of Tuesday 26 February on amending the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 (the Minimum Standard Regulations) in relation to domestic property. During the course of the debate we discussed Green Deal finance, and you referred to private finance initiatives and asked how private finance investment in the Green Deal is regulated and registered, and whether Green Deal providers have limits on the returns on their finance.

As I discussed during the debate, the Green Deal mechanism has been open to investment from private finance since it was launched in 2013. The public investment in the Green Deal that I referred to during the debate was the Government's funding of the Green Deal Finance Company (GDFC), which it did alongside other investors. The GDFC was a vehicle created to help finance Green Deal loans. Many Green Deal providers - who are the parties responsible under the scheme for arranging Green Deal Plans for consumers - sell-on the loans they set up to the GDFC and use the funding to then finance further loans. GDFC was not, however, the only source of finance, and the funding of Plans has always been a matter for providers to decide. This model is therefore not a "Private Finance Initiative".

Green Deal providers must be authorised by the Secretary of State for Business, Energy & Industrial Strategy. The authorisation process involves assessment of a wide range of factors, including the ability to comply with the Green Deal Framework Regulations and Code of Practice. Authorisation can be removed if a firm is found to have breached the terms of the scheme, or other consumer protection legislation. In order to be able to offer Green Deal Plans for domestic properties, providers must be authorised by the Financial Conduct Authority (FCA), who can remove or restrict a firm's permission to engage in FCA-regulated activities, including consumer credit lending or broking, or take other supervisory or enforcement action against regulated firms and individuals.

It is for providers to decide on the interest rate for the Green Deal Plans they arrange, but the rate must be fixed for the whole of the repayment period. The rate of return on Green Deal loans is therefore not capped, but will be influenced by the competitive market.

A copy of this letter will be placed in the Libraries of the House.

A handwritten signature in black ink, appearing to read "Henley". The signature is written in a cursive style with a large initial 'H' and a long, sweeping tail that curves back towards the end of the word.

Rt Hon Lord Henley