

EPC changes: Understanding the facts

April 2022



What are the current rules for landlords on energy efficiency and how could they change in 2025? **Jon Cooper**, head of mortgage distribution at Aldermore, explains...



There's a lot of noise about possible EPC rule changes for landlords. You've probably already read about them or seen presentations about this issue online or at mortgage events.

This is big news in the buy to let market because the potential changes could throw up huge challenges for many of your clients.

Some are still confused about what they need to do, but brokers and lenders have a key role to play supporting landlords through any rule changes.

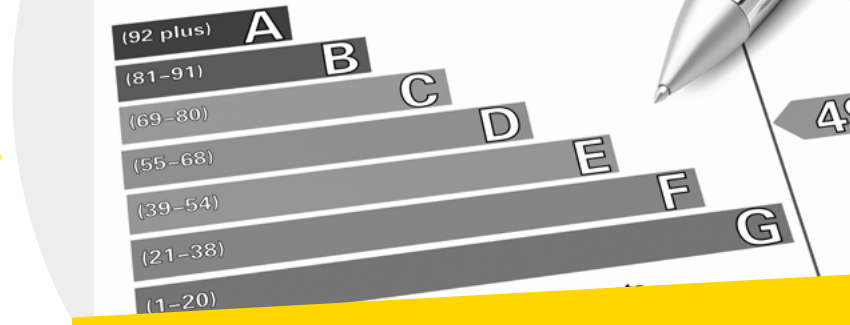
At Aldermore we've been listening to landlords and brokers. We've run small focus groups and larger surveys with our landlord clients to get insights into what impact the EPC rule changes may have.

Our research has already highlighted confusion about the standards and a need for clear, concise information for you and your landlord clients.



Let's start with where we are now in terms of landlords' obligations on energy efficiency, and where we could be heading.

EPC changes: Understanding the facts



Current rules

Landlords in England and Wales already need to meet the Energy Efficiency Standards set by the government. A property must have an up-to-date performance certificate with a minimum E-rating to let to tenants.

This rule has been in place since 1st April 2020 on new tenancies.

There are some exemptions which can be viewed in the [government guidance for landlords](#) and the landlord needs to register an exemption if they meet the criteria.

Landlords are expected to pay for upgrades needed to their properties, with a cost cap of £3,500. They don't have to pay more than this cap, even if it isn't possible to get the property up to a E-rating, at which point they can register an exemption.

Landlords must have an up-to-date Energy Performance Certificate with a minimum E-rating to let their property to tenants.

So far so good, and hopefully your landlord clients have already ensured their properties are a minimum E-rating (or registered an exemption).

But the government wants to make these rules tighter, in order to boost the energy efficiency of properties in the private rental sector.

It has already [proposed new rules](#) and consulted with the industry and other stakeholders.

Below we run through what it wants to change.

Proposed new rules

The government's [Clean Growth Strategy](#) committed to upgrade as many privately rented homes as possible to EPC C-rating by 2030, 'where practical, cost-effective and affordable'.

To achieve this, it set out the following proposals in its consultation paper, [Improving the energy performance of privately rented homes](#):

Raising the minimum energy performance standard to EPC C-rating

A phased trajectory for achieving these improvements for new tenancies from 2025 and all tenancies from 2028

Increasing the cost cap to £10,000, with the average spend per property predicted to be £4,700.

This is a policy proposal covering England and Wales; it isn't a certainty until the government publishes its full response to the consultation and its final rules – which is expected this year.

Scotland is currently consulting on A New Deal for Tenants, which includes proposals to raise minimum EPC standards to a C-rating on the same timeline as England and Wales.

However, with such a short timeframe until the proposed rules kick in, landlords need to be planning their strategy now.

EPC changes: Understanding the facts



Impact on landlords

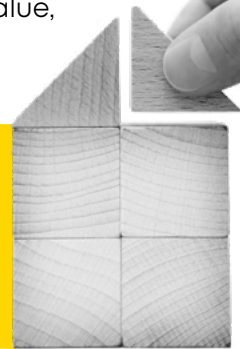
If these proposals are brought in, landlords have around three years to get their properties up to scratch if they want to keep letting them to tenants.

Increasing the cost cap from its current level of £3,500 to £10,000 could have big financial consequences for those landlords whose properties need a lot of work.

There are still likely to be exemptions, but we won't know exactly what they are until the full rules are published.

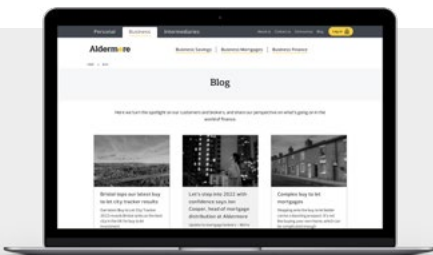
But it's not all bad news and there are some indirect benefits for landlords. Rental properties that are more energy efficient could benefit from increased rental income and reduced void periods, as well as increasing in value, attracting tenants or buyers in the future.

According to the [consultation document](#), properties currently at EPC C-rating are worth around 5% more than those currently at EPC D-rating.



How can you help?

Your landlord clients may not be aware of the potential changes, so get in touch with them now to understand how their portfolio is affected and if they have a plan. If not, work with them to devise one, which could include additional borrowing to fund any work.



Find out more

Aldermore is committed to supporting you and your clients with clear information and support. **Check out our blog** for up-to-date information, opinions and guidance on the mortgage market, the wider housing market and Aldermore's products and services.

Aldermore

intermediaries.aldermore.co.uk

FOR INTERMEDIARY USE ONLY

Aldermore Bank PLC is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (Financial Services Register number: 204503). Registered Office: Apex Plaza, Forbury Road, Reading, RG1 1AX. Registered in England. Company No. 947662. Invoice Finance, Commercial Mortgages, Property Development, Buy-To-Let Mortgages and Asset Finance lending to limited companies are not regulated by the Financial Conduct Authority or Prudential Regulation Authority. Asset Finance lending where an exemption within the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 applies, is exempt from regulation by the Financial Conduct Authority or Prudential Regulation Authority.

ARM826-0322-600143 April 2022