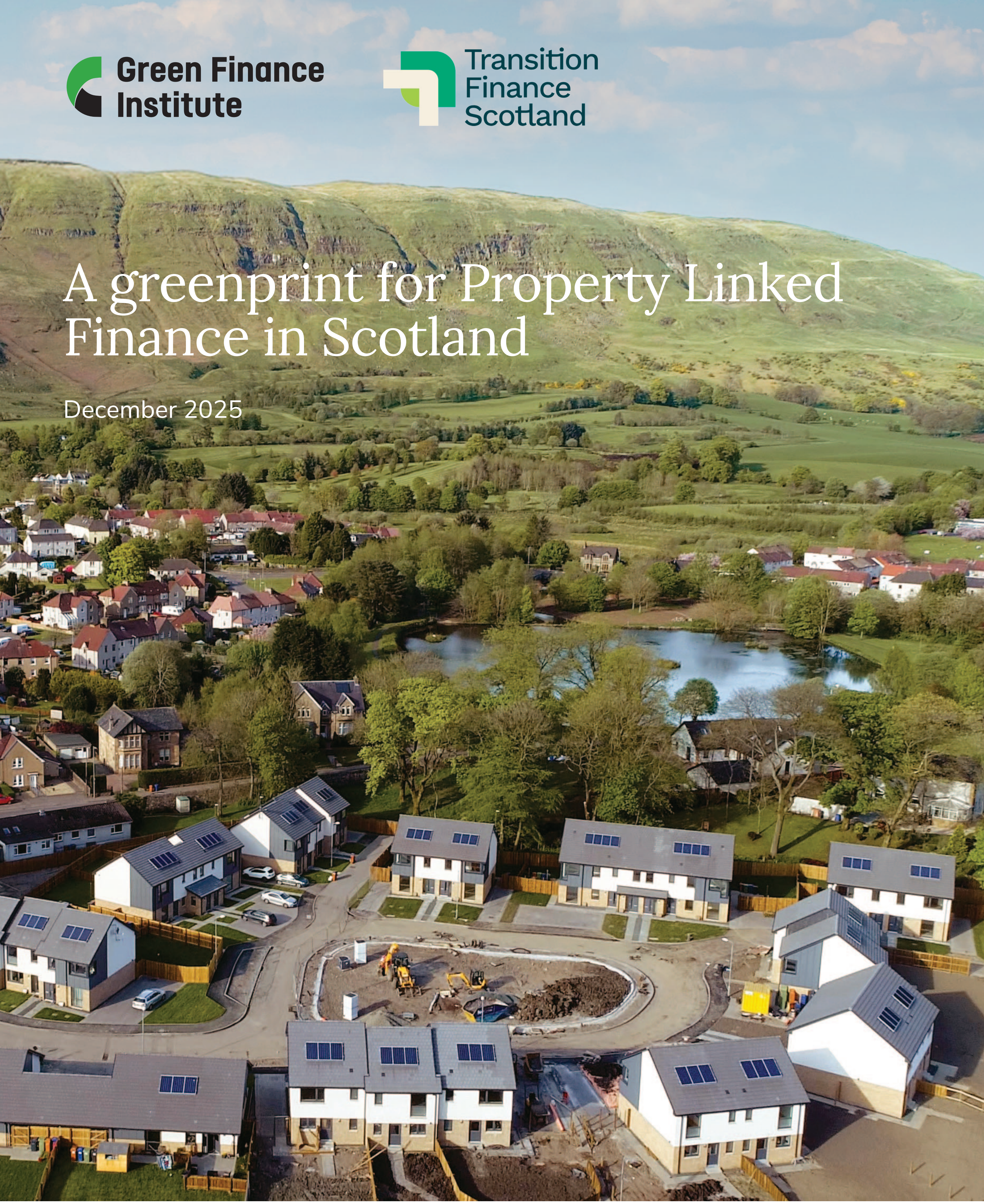

A greenprint for Property Linked Finance in Scotland

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greenfinanceinstitute.com

Contents

1. Executive summary

Property Linked Finance (PLF) is a potential new financial solution for the UK market that can fund up to 100% of the upfront costs of a project that improves the environmental performance of a property. PLF is long-term, attractive finance that is linked to the property, rather than the property owner, where the obligation to meet PLF payments transfers to the new property owner on the sale or transfer of the property. This overcomes one of the main barriers to retrofitting, the 'payback period' barrier[1] that often deters investment.

If introduced in Scotland, PLF would expand the range of financial products available to property owners to make sustainable improvements to their properties, supporting decarbonisation of the built environment. The Climate Change Committee (CCC) has estimated that £30 billion of additional investment in the built environment[2] is required to reach net zero carbon in Scotland by 2045[3]. A new financial solution such as PLF could help to bridge the current investment gap.

The key features of Residential PLF (R-PLF) and Commercial PLF (C-PLF) are broadly aligned and include:

- **Transferability:** Payment obligations remain with the property, not the owner.
- **Long-term:** The term of PLF can align with the useful lifetime of the improvement measures.
- **Non-accelerating structure:** Limits liability to arrears, not full balance.
- **R-PLF:** Available to homeowners and landlords.
- **C-PLF:** Available to corporates and real estate companies that own their properties.

[1] 'Payback period' barrier is a major challenge to the decarbonisation of UK buildings, whereby owners are deterred from making environmental improvements to their properties if the owners expect to move in the near- to medium-term and the energy savings are not expected to offset the project costs in this duration.

[2] 'Additional investment' means additional capital expenditure and additional operational expenditure relative to a baseline of no further decarbonisation actions

[3] https://www.theccc.org.uk/publication/scotlands-carbon-budgets/#scotlands-carbon-budgets

The Green Finance Institute (GFI) has estimated that PLF in Scotland could enable between **£8.7-15 billion** of investment in the installation of low carbon technologies, energy efficiency and climate resiliency projects across the residential and commercial property markets. PLF can make a material contribution towards addressing the investment gap that the CCC has identified as necessary to decarbonise Scotland's built environment.

Research commissioned by the GFI revealed good appetite for PLF, with 59% of consumer respondents indicating they were likely or neutral to using PLF. Among corporate respondents, 62% said they would use PLF for energy efficiency upgrades, and 60% would use it for climate resilience measures.

While both studies reported mixed views on PLF's impact on the property buying and selling process, they identified a segment of respondents, mainly landlords, who were comfortable with the concept and likely to purchase properties with PLF attached. The research also highlighted the importance of providing support to encourage consumers and businesses to upgrade their buildings and use PLF.

In order for PLF to transfer to the new property owner on sale of the property, PLF requires a bespoke 'linking mechanism' that works within the context of Scottish property laws and regulations. The **GFI proposes using a standard security as the linking mechanism for the Scottish market** and recommends legislation to introduce a new type of standard security, a 'PLF standard security' to enable PLF in Scotland. A standard security provides lenders with fixed security over a property in Scotland.

This report provides a step-by-step roadmap for government, industry and financial institutions to support the launch of PLF in Scotland. The plan includes conducting a C-PLF pilot using a standard security, introducing legislation to create a new PLF standard security and refining both the C-PLF and R-PLF models based on pilot lessons. Priming the market for the launch of PLF in Scotland will be essential to promote understanding and uptake and this must be followed by a plan to continually iterate and improve the market.

With the right enabling framework, PLF can unlock scalable investment, support climate goals, and expand financial inclusion for property owners across Scotland.

2. Introduction

The importance of decarbonising Scotland's built environment

Decarbonising Scotland's built environment is critical, as it accounts for approximately 20% of the country's total greenhouse gas emissions[4]. It is also vital not only for reducing emissions, but for improving occupant health and wellbeing, lowering energy bills, and tackling fuel poverty. To meet the Scottish Government's ambitious target of reaching net zero by 2045, the Climate Change Plan Update sets out a goal to reduce emissions from domestic and non-domestic buildings by 68% by 2030, compared to 2020 levels[5].

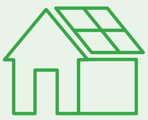
The investment challenge

An estimated £30 billion of additional capital expenditure will be needed across Scotland between now and 2045 to decarbonise the built environment[3]. The CCC has estimated that the private sector will fund, on average, 65-90% of all UK decarbonisation investment from 2025 to 2050[5], highlighting the importance of private finance in addressing the current investment gap.

However, the current financial landscape struggles to bridge this investment gap. Traditional financing often faces barriers that limit uptake, including long payback periods, which deter property owners planning to sell in the short to medium term, and short repayment terms, which result in higher monthly or quarterly payments that are unaffordable for many property owners. If introduced, PLF would be able to overcome these challenges, expand the range of financial options available to property owners and help address this investment gap.

What is Property Linked Finance?

PLF is a potential new financial solution for the UK market that can fund up to 100% of the upfront costs of a project that improves the environmental performance of a property, including:



Installation of low carbon technologies

Increased energy efficiency

Enhanced climate resiliency measures

PLF is long-term, attractive finance that is linked to the property, rather than the property owner, where the obligation to meet PLF payments transfers to the new property owner on the sale or transfer of the property.

In 2024, the GFI, Lloyds Banking Group and NatWest Group developed a PLF 'greenprint'[6] outlining how PLF could be introduced, executed and scaled utilising a new type of PLF Local Land Charge (LLC), to link the finance to the property in England and Wales. Under Scottish property law, there is no equivalent to LLCs and as such a different linking mechanism is therefore required for Scotland. This Scottish greenprint aims to identify an appropriate linking mechanism to be adopted in Scotland and is written as an addendum to the greenprint referenced above.

4 https://www.gov.scot/publications/securing-green-recovery-path-net-zero-update-climate-change-plan-20182032/

5 https://www.theccc.org.uk/2025/02/26/end-the-fossil-fuel-age-for-a-secure-and-prosperous-future/

6 Greenprint: A blueprint for financial solutions that aid the investment of projects that improve the environmental performance of a property, including installation of low carbon technologies, increased energy efficiency and enhanced climate resiliency measures. https://www.greenfinanceinstitute.com/wp-content/uploads/2024/11/A-Greenprint-for-Property-Linked-Finance-in-the-UK.pdf

3. Key features of Property Linked Finance in Scotland

Guiding principles

Through the collaboration with Lloyds Banking Group and NatWest Group, five guiding principles that PLF across the UK should be governed by were identified. These align with the Global Property Linked Finance Initiatives' (GPLFI) more detailed PLF Principles[7], which aim to support consistency in the development of global PLF markets whilst remaining adaptable to local conditions.

Runs with the land: The obligation to make PLF payments must remain with the land regardless of ownership.

Customer ease: The customer journey should be simple, avoid additional friction and allow property owners the ability to make early repayments.

Robust protection: Comprehensive customer/client support should be provided.

Minimal impact: PLF should not have a material impact on the availability of other financial products related to the property, such as the primary mortgage.

Maximum flexibility: PLF should be applicable to the full spectrum of properties from residential to commercial buildings and be available to fund retrofits and new-build construction.

The GFI recommends embedding these five guiding principles into Scotland's approach to help support positive outcomes throughout the value chain and unlock scale in the Scottish market.

To align with the guiding principles and to tackle key barriers to retrofitting, PLF incorporates several unique features not yet found in existing financial products:

- **Runs with the land:** The responsibility to meet regular PLF payments remains with the property, even after the property has transferred to a new owner. As a result, the property owner that is *currently* benefitting from the low carbon technologies, energy efficiency improvements and/or climate resiliency measures is also responsible for meeting the PLF payments. In Scotland, this transfer of the payment obligation could be achieved through a bespoke PLF standard security – see Delivering Property Linked Finance in Scotland chapter for more information.

- **Non-accelerating:** Acceleration refers to the declaration by a lender that the outstanding balance of a loan must be repaid early in the event of default. PLF is designed as a non-accelerating form of finance, which limits the liability in the event of non-payment to the amount in arrears at the time and not the total outstanding balance.

In addition to the common characteristics described above, it is recommended that R-PLF and C-PLF in Scotland should each have specific features as presented in the following tables. The GFI recommends that, where possible, the key features of PLF in Scotland should align with the key features of PLF in England and Wales, to allow for interoperability of PLF across the whole of the UK, promoting customer ease and making it simpler for financial institutions to deliver PLF.

[7] https://www.propertylinkedfinance.com/wp-content/uploads/2025/09/GFI-GPLFI-REPORT-003.pdf

Key features of Residential Property Linked Finance

Eligible customers	Available to all owner occupiers and private rental landlords who own their properties.
Purpose	Funds up to 100% of the upfront costs of eligible projects. Eligible projects must improve the environmental performance of a property, and measures must be permanently fixed[8] to the property.
Commitment	PLF is expected to cap out at [20-30]% of a property's value.
Drawdown	Funds can be disbursed directly to the retrofit contractor. Funds are disbursed upon project completion, subject to sign-off by the contractor and property owner.
Term	For single measure projects, the term will align with the useful lifetime of the measure or technology. For multi-measure projects, there are three options: the term can align with the weighted average useful lifetime of the measures, the shortest useful lifetime in the mix of technologies, or the longest useful lifetime in the mix of technologies.
Payments	Monthly payments of an equal amount will be made by the property owner, based on a straight-line amortisation profile.
Security	Subject to enabling legislation, R-PLF will utilise a standard security linking mechanism (see Delivering Property Linked Finance in Scotland chapter for more information on the recommended linking mechanism), where it is envisaged the PLF capital provider will benefit from an entry on the Land Register of Scotland noting the existence of the financial charge. The financial charge will operate as a form of security, which allows the PLF capital provider to initiate collection processes in the event of non-payment.
Events of non-payment[9]	In the event of non-payment, the PLF capital provider should engage with the customer to help them remedy the non-payment. This will occur during a grace period with an end date defined by the PLF capital provider. Following the grace period, the PLF capital provider can initiate collection processes for the overdue capital and interest only. Interest can accrue on the missed payments throughout the grace period and collection processes.
Assignment and transfer of PLF	PLF capital providers should have the ability to transfer the PLF benefit to a third party, in order to support the future warehousing and securitisation of PLF to unlock greater market scale.

[8] For any fixtures funded through PLF that are possible to remove, such as solar panels, there would be a requirement that these fixtures should remain fixed to the property for their useful life.

[9] Due to the non-accelerating nature of PLF, rather than referring to 'events of default' it is more relevant to refer to 'events of non-payment'.

Key features of Commercial Property Linked Finance

Eligible Customers	Available to real estate borrowers and corporates that own their premises, covering all sectors of the commercial property market.
Purpose	Funds up to 100% of the upfront costs of eligible projects. Eligible projects must improve the environmental performance of a property, and measures must be permanently fixed[8] to the property.
Commitment	PLF is expected to cap out at [20-35]% of a property's value depending on the project and subject to borrower and senior lender appetite.
Drawdown	Funds are provided directly to the property owner (who would manage payments to the contractor) and can be drawn down in stages, subject to sign-off by the contractor, property owner and any consultant review on costs that the PLF capital provider may require.
Term	The term of PLF can be up to the useful lifetime of the measure or technology subject to borrower appetite. For multi-measure projects, there are three options: the term can align with the weighted average useful lifetime of the measures, the shortest useful lifetime in the mix of technologies, or the longest useful lifetime in the mix of technologies.
Payments	Regular (monthly/quarterly) payments of an equal amount will be made by the property owner, based on a straight-line amortisation profile. To bridge the income problem during deep retrofits, C-PLF can allow for the capitalisation of interest during the renovation period. All PLF payments that have been due and payable must be settled ahead of any sale or transfer to ensure buyers are not taking on a property with outstanding PLF arrears, allow for optimal affordability for property owners and support future securitisation of the product.
Security	C-PLF will utilise a standard security linking mechanism (see Delivering Property Linked Finance in Scotland chapter for more information on the recommended linking mechanism), where it is envisaged the PLF capital provider will benefit from an entry on the Land Register of Scotland noting the existence of the financial charge. The financial charge will operate as a form of security, which allows the PLF capital provider to initiate collection processes in the event of non-payment.
Events of non-payment[9]	In the event of non-payment, the PLF capital provider should engage with the client to help them remedy the non-payment. This will occur during a grace period with an end date defined by the PLF capital provider. Following the grace period, the PLF capital provider can initiate collection processes for the overdue capital and interest only. Interest can accrue on the missed payments throughout the grace period and collection processes.
Assignment and transfer of PLF	PLF capital providers should have the ability to transfer the PLF benefit to a third party, in order to support the future warehousing and securitisation of PLF to unlock greater market scale.

4. Delivering Property Linked Finance in Scotland

Options explored for the Property Linked Finance linking mechanism

To deliver the unique features of R-PLF and C-PLF, a legal mechanism is required to 'link' the finance to the property so that the payment obligation runs with the land. Several options were explored before identifying the standard security as the preferred linking mechanism in Scotland. The tables on the following pages provide a description of each of the possible PLF linking mechanisms that were explored for Scotland along with a mapping[10] to alignment of the UK PLF guiding principles. All of the options explored in the recent greenprint for enabling PLF in England and Wales have been considered for Scotland, as well as others unique to the Scottish market.

[10] Green colour coding reflects where there is strong alignment to the guiding principles, running on a scale down to yellow being somewhat aligned and orange being the least aligned. Grey colour coding reflects the options explored in the original greenprint but which are not available in Scotland

Options for Residential Property Linked Finance

KEY: Strong Alignment Moderate Alignment Weak Alignment N/A

Option Explored	Description	Alignment to UK PLF guiding principles				
		Runs with the land	*Customer ease*	*Robust protections*	*Minimal impact*	*Maximum flexibility*
Standard Security	A standard security is a legal document that offers lenders fixed security over property and is the only way to attach fixed security to land in Scotland. They are typically used in every form of lending in Scotland which is secured against property, so the impact on the availability of other financial products should be minimal, and the process for the customer should be straightforward. Standard securities 'run with the land' and can be granted over heritable (freehold), leasehold (if over 20 years), residential and commercial buildings, existing buildings and new-build properties, thus fulfilling the flexibility aspect outlined in the PLF guiding principles. The analysis identified that a new type of standard security – outlining specific aspects of PLF brought into existence by legislation including interactions with Mortgage Conduct of Business (MCOB) – would be an appropriate way to link the obligation to meet PLF payments to the land. Further details on this recommended legal linking mechanism are outlined below.					
Local Land Charges	Under English and Welsh law, LLCs are financial charges or restrictions on the use of land. GFI's greenprint for PLF in the UK recommended that LLCs should be used to implement PLF in England and Wales. Under Scots law, there is no equivalent to LLCs or the LLC register and as such, the LLC linking mechanism is not a viable option in Scotland. In England and Wales, there are a wide range of LLC's covering different types of charge / restriction. To explore how similar restrictions are enforced in Scotland, a mapping exercise was conducted comparing the enforcement of LLCs in England and Wales with Scottish legal mechanisms. See Annex 1 for details of this mapping exercise.	**Not available in Scotland**				
Restriction on Title	Restriction on Title was explored as a potential option for implementing PLF in England and Wales. Under English and Welsh law, a Restriction on Title is an entry made on the Land Registry title register of a property, which prevents a sale, transfer or other disposition of the property unless certain conditions are met. Under Scots law, there is no equivalent to a Restriction on Title and as such, this is not a viable option in Scotland.	**Not available in Scotland**				

KEY: Strong Alignment Moderate Alignment Weak Alignment N/A

Option Explored	**Description**	**Alignment to UK PLF guiding principles**				
		Runs with the land	*Customer ease*	*Robust protections*	*Minimal impact*	*Maximum flexibility*
Council Tax	Following the approach taken in the US and Australia, council tax was explored as an option for implementing PLF in the UK. However, it was determined that this would require UK tax laws to be updated and would also cause an additional operational burden on local authorities who have limited capacity. Since the council tax regime is consistent across Scotland as in England and Wales, it is therefore not a recommended linking mechanism for PLF in Scotland.					
Service Charge	Service charges are charges paid by tenants to cover communal area costs. If a property in Scotland has a property factor it would be possible for PLF payments to be structured as a service charge, rather than a loan. Service charges were investigated as a potential linking mechanism to implement PLF in England and Wales. The analysis concluded that a service charge would be defined as a regulated consumer credit agreement under the terms of the Consumer Credit Act (CCA) and therefore not automatically transferable upon sale, not aligning with PLF's guiding principles. Complexities with the CCA would also arise when implementing PLF through service charges in Scotland. Additionally, leasehold property ownership and service charges are not common in Scotland making its implementation for PLF more challenging.					
Loans within scope of the CCA	Loans within scope of the CCA were investigated as a potential linking mechanism to implement PLF in the UK. These must be associated with a person, rather than land, and therefore prevent the automatic transfer at the point of sale, which is against one of the core guiding principles of PLF and means it is not a linking mechanism. Since the loans within scope of the CCA are consistent across Scotland as in England and Wales, it is therefore not a recommended linking mechanism for PLF in Scotland.					

KEY: Strong Alignment | Moderate Alignment | Weak Alignment | N/A

Option Explored	**Description**	**Alignment to UK PLF guiding principles**				
		Runs with the land	*Customer ease*	*Robust protections*	*Minimal impact*	*Maximum flexibility*
Loans pursuant to the Green Deal	Loans pursuant to the Green Deal were investigated as a potential linking mechanism to implement PLF in the UK. The Green Deal is a long-term loan system for energy saving improvements where repayments are collected through homeowner's energy bills and was explored as a potential option for implementing PLF in England and Wales. Utilising the Green Deal to implement PLF would require significant legislative change and engagement with energy companies. There is also a generally negative public perception surrounding the Green Deal due to various challenges the programme has faced across Scotland as well as England and Wales.					
Rentcharges	Rentcharges were explored as a potential option for implementing PLF in England and Wales. Under English and Welsh law, a rentcharge is an annual or periodic sum that is paid by a freehold homeowner to a third party with no legal interest in the land. Under Scots law, there is no equivalent to rentcharges and as such, this is not a viable option in Scotland.	**Not available in Scotland**				
Building Charging Orders	Building charging orders are unique to Scottish property law and are used by local authorities to recover expenses paid out from rectifying problems in dangerous buildings. Building charging orders which apply to houses and non-residential parts of buildings which contain houses, rank above all existing and future securities not registered by a local authority, meaning on disposal of the property the local authority is entitled to repayment before almost all other creditors. However, if the local authority is not repaid from proceeds of the sale of the property, the charging order would remain on the title and therefore effectively 'runs with the land', binding the new owner. Both new and former owners can be pursued for arrears if the property changes ownership two weeks after registration of the charging order such that the new owner who pays the charging order can recover payments from the former owner, suggesting the charges attaches more to the person than the property. If used for PLF it may be far less attractive to consumers as they may still be liable after they have sold the property. There is also a risk that utilising building charging orders would have negative perceptions since charging orders are associated with defective buildings, disrepair and non-compliance with building regulations. Building charging orders are therefore not a recommended linking mechanism for PLF in Scotland.					

KEY: Strong Alignment | Moderate Alignment | Weak Alignment | N/A

Option Explored	**Description**	**Alignment to UK PLF guiding principles**				
		Runs with the land	*Customer ease*	*Robust protections*	*Minimal impact*	*Maximum flexibility*
Residential Accommodation Charging Orders	Residential accommodation charging orders are unique to Scottish property law and are used by local authorities to secure debts for care home fees. Residential accommodation charging orders are registered on the title of the property and cannot be called up for non-payment while the debtor is still alive, except in the event of insolvency of the debtor, sale or transfer of the property, or a standard security being called up over the property. The local authority does not have the power to force a sale of a property. As such, ongoing payments would not be possible, so it does not fit the intended features of PLF and whilst they effectively 'run with the land', they do not constitute a real right in security so residential accommodation charging orders are not a recommended linking mechanism for PLF in Scotland.					
Inhibition	Inhibitions are unique to Scottish property law and enable a lender to enforce a charge or other debt following a court order. In some cases, an inhibition can be applied for before a court order is granted. It does not entitle the lender to force the sale of the debtor's property and is not attached to the proceeds of a sale but prohibits the debtor from selling or refinancing the property without the lender's consent. Repayment of a mortgage would take priority over an inhibition if a debtor's property is repossessed by a bank in accordance with a mortgage. An inhibition applies to all property in Scotland owned by the debtor at the time the inhibition is registered - it is registered against the debtor, not the property so does not 'run with the land'. Also, an inhibition only lasts 5 years, unless re-registered so wouldn't fit well with the long-term nature of PLF. There are also negative connotations associated with inhibitions as they are often associated with the bankruptcy of individuals and therefore this is not a recommended linking mechanism for PLF in Scotland.					

KEY: Strong Alignment | Moderate Alignment | Weak Alignment | N/A

Option Explored	**Description**	**Alignment to UK PLF guiding principles**				
		Runs with the land	*Customer ease*	*Robust protections*	*Minimal impact*	*Maximum flexibility*
Notice of Improvement and Repair Grants	A Notice of Payment Grant can be registered on the title of the property by a local authority when they have provided financial support to assist with repairs or improvements of a residential property. The grant is non-repayable unless there is a breach in the terms of the grant at which point a proportion or all of the improvements or repairs becomes repayable. The Notice continues to bind to the property when it is sold but is only considered a charge on default, and so it ranks behind any standard securities registered against the property. Given that grant is non-repayable except in the event of breach, it is not considered an appropriate linking mechanism for PLF.					

Options for Commercial Property Linked Finance

Option Explored	**Description**	**Alignment to UK PLF guiding principles**				
		Runs with the land	*Customer ease*	*Robust protections*	*Minimal impact*	*Maximum flexibility*
Standard Security	A standard security is a legal document that offers lenders fixed security over property and is the only way to attach fixed security to land in Scotland. They are typically used in every form of lending in Scotland which is secured against property so the impact on the availability of other financial products should be minimal and the process for the customer should be straightforward. Standard securities 'run with the land' and can be granted over heritable (freehold), leasehold (if over 20 years), residential and commercial buildings, existing buildings and new-build properties, thus fulfilling the flexibility aspect outlined in the PLF guiding principles. The analysis identified that a new type of standard security – outlining specific aspects of PLF brought into existence by legislation – would be an appropriate way to link the obligation to meet PLF payments to the land. Further details on this recommended legal linking mechanism are outlined below.					

KEY: Strong Alignment Moderate Alignment Weak Alignment N/A

Option Explored	**Description**	**Alignment to UK PLF guiding principles**				
		Runs with the land	*Customer ease*	*Robust protections*	*Minimal impact*	*Maximum flexibility*
Local Land Charges	Under English and Welsh law, LLCs are financial charges or restrictions on the use of land. GFI's greenprint for PLF in the UK recommended that LLCs should be used to implement PLF in England and Wales. Under Scots law, there is no equivalent to LLCs or the LLC register and as such, the LLC linking mechanism is not a viable option in Scotland.	**Not available in Scotland**				
Restriction on Title	Restriction on Title was explored as a potential option for implementing PLF in England and Wales. Under English and Welsh law, a Restriction on Title is an entry made on the Land Registry title register of a property, which prevents a sale, transfer or other disposition of the property unless certain conditions are met. Under Scots law, there is no equivalent to a Restriction on Title and as such, this is not a viable option in Scotland.	**Not available in Scotland**				
Utility under Insolvency Act	Creation of a utility under the Insolvency Act 1986 was investigated as a potential linking mechanism to implement PLF in England and Wales. The Insolvency Act sets out the order in which debts are paid when a company goes into insolvency. This option would involve structuring the PLF so that it is treated as an ongoing service, like a subscription, rather than a loan. This could potentially allow the PLF to be classified as a "supply of goods or services" under the Insolvency Act, which would give it a higher priority for repayment if the property owner became insolvent. However, this option is not linked to the property and would require an additional linking mechanism.					

KEY: Strong Alignment | Moderate Alignment | Weak Alignment | N/A

Option Explored	**Description**	**Alignment to UK PLF guiding principles**				
		Runs with the land	*Customer ease*	*Robust protections*	*Minimal impact*	*Maximum flexibility*
Amendments to Amendments to Business Improvement Districts (BID)	BIDs are areas where businesses pay an extra tax to fund projects that improve the local area. Through the analysis around potential linking mechanisms for PLF in England and Wales, it was considered whether a specific PLF-focused BID could be set up, where the extra tax is used to pay for PLF projects in that area. This option would involve changing the BID regulations to allow PLF to be funded through a BID. Amendments to BID regulations in Scotland are possible but there are currently only 37 BIDs in Scotland reflecting only 1% of Scotland's land cover. BIDs only last a maximum of 5 years and are dependent on the businesses involved voting to continue the scheme so could be a challenge to implement and gain traction. Additionally, a BID would not provide security for PLF lenders.					
Separate Utility ('Retrofit as a Service')	Creating a new type of utility service, similar to electricity or water was investigated as a potential linking mechanism to implement PLF in England and Wales. The PLF charges would be treated like utility bills and would transfer to the new owner when the property is sold. However, this option may require extensive legislative amendments to recognise PLF as a utility.					
Building Charging Order	Building charging orders are unique to Scottish property law and are used by local authorities to recover expenses paid out from rectifying problems in dangerous buildings. Building charging orders on commercial property are less powerful than those in relation to residential property, as these charging orders will be subject to normal rule of ranking, i.e. chronologically unless otherwise agreed. If the local authority is not repaid from proceeds of the property and the charging order discharged, the charging order would remain on the title and continue to bind the new owner. Both new and former owners can be pursued for arrears; if the new owner acquired the building two weeks after registration of the charging order, they can be pursued for the former owners arrears, and if a new owner pays the charging order, they can recover payments from the former owner. This suggests the charges attach more to the person than the property. There is also a risk that utilising building charging orders would have negative perceptions since charging orders are generally associated with defective buildings, disrepair and non-compliance with building regulations. Building charging orders are therefore not a recommended linking mechanism for PLF in Scotland.					

KEY: Strong Alignment | Moderate Alignment | Weak Alignment | N/A

Option Explored	**Description**	**Alignment to UK PLF guiding principles**				
		Runs with the land	*Customer ease*	*Robust protections*	*Minimal impact*	*Maximum flexibility*
Inhibition	Inhibitions are unique to Scottish property law and enables a lender to enforce a charge or other debt following a court order. In some cases, an inhibition can be applied for before a court order is granted. It does not entitle the lender to force the sale of the debtor's property and is not attached to the proceeds of a sale but prohibits the debtor from selling or refinancing the property without the lender's consent. An inhibition applies to all property in Scotland owned by the debtor at the time the inhibition is registered – it is registered against the debtor, not the property so does not 'run with the land'. Also, an inhibition only lasts 5 years, unless re-registered so wouldn't fit well with the long-term nature of PLF. There are also negative connotations associated with inhibitions as they are often associated with the insolvency of companies and therefore this is not a recommended linking mechanism for PLF in Scotland.					

Based on the above analysis, GFI recommends creating a new type of standard security, a 'PLF standard security' to enable PLF in Scotland.
New enabling legislation (or amendments to existing legislation) would be required to create a new type of standard security outlining the bespoke features for PLF. The next section of this report provides more information on how the recommended linking mechanism operates and can be adapted to deliver PLF.

Recommended linking mechanism: standard security

A standard security is the only way to take fixed security over land in Scotland. Standard securities are a creation of statute, created and governed by the Conveyancing and Feudal Reform (Scotland) Act 1970, which specifies the rights and liabilities of the parties, and the terms that are required to conform to the specified statutory styles. However, these can be adapted for use for PLF, with lenders having the flexibility to modify and strengthen conditions. The following section outlines recommendations to enable both C-PLF and R-PLF in Scotland.

Standard securities are routinely used in both commercial and residential lending markets in Scotland. Standard securities are typically used to secure a property's purchase loan, where the landowner grants the standard security in favour of the lender. These securities are therefore very familiar to consumers and commercial borrowers, institutional lenders, clearing banks, local authorities and private equity funders alike.

Standard securities run with the land and automatically bind successors in title to the property unless they are discharged upon sale, which aligns well with the PLF guiding principles.

However, in practice, when a property is sold or transferred, the buyer's solicitor normally insists that the standard security is removed as a condition of the sale. As such, there would need to be an adjustment in market perception such that incoming buyers (and their lenders) are comfortable with the security staying in place. If the finance was transferred to the new owner, a new PLF finance document would be created to govern the new owner's obligation to meet the regular PLF payments. Standard securities can be assigned to another party, meaning a PLF capital provider could assign the standard security to the incoming lender, unlocking greater market scale.

A standard security does not ordinarily stop the owner from dealing with the property and consent from the holder of the standard security is not required (and they are not notified of any dispositions)[11]. To ensure that the owner cannot deal with their heritable property, an inhibition would need to be registered in the Register of Inhibitions against the individual. However, for the reasons set out above an inhibition is not considered suitable for PLF and it does not align with the guiding principles. Alternatively, a contractual restriction on disposals provision could be included in the PLF finance document or standard security itself which would prohibit any sale of the property without the incoming purchaser agreeing to be bound by the PLF loan agreement.

For a standard security to be created it must be recorded in the Land Register of Scotland so any incoming purchaser and lender are aware of the security's existence. Standard securities must also be registered at Companies House to ensure enforceability of the security in the event of insolvency. The ranking of standard securities registered against a property is dictated by the securities' date of registration or a separate ranking agreement. Therefore, if the PLF standard security is registered after an existing mortgage, it would be second ranking, unless a ranking agreement is entered into to change the priority. A negative pledge provision of the standard security may be included and would prohibit the debtor from granting any further standard securities without the consent of the first creditor.

It is likely that PLF would constitute a regulated mortgage contract, as it does not fall under any of the current existing exemptions. This means that the PLF provider would need to be authorised by the Financial Conduct Authority (FCA) and address compliance with MCOB rules. However it is recommended that through introducing legislation to create the PLF standard security for the residential market, the appropriate regulatory regime be explored with the FCA.

[11] Dealing with a property: selling, gifting to someone else or securing more debt over a property.

Through a standard security, lenders would have the ability to enforce the standard security, sell the property and call on the total loan balance if there was any monetary breach. This would not be in line with the intended "non-accelerating" feature of PLF but it would be possible for parties to agree that the PLF would be non-accelerating for bespoke transactions. The GFI recommends this either be included in the PLF form standard security, or in new legislation facilitating PLF.

Consideration of interoperability across the UK

The GFI recommends that, where possible, features of PLF in Scotland should align with features of PLF in England and Wales, to allow for interoperability of PLF across the whole of the UK, promoting customer ease and making it simpler for financial institutions to deliver PLF.

The recommended linking mechanisms for each market – LLC's in England and Wales and standard securities in Scotland – have many similarities in how they operate. LLC's and standard securities used for PLF would both be registered against the title of property and bind successors in title. A LLC with PLF security registered on the title, and a standard security, would be fairly comparable in terms of style, effect, and substance promoting the interoperability of PLF across the whole of the UK.

Scottish PLF legislative and non-legislative requirements:

The table below outlines the recommended legislative and non-legislative requirements for PLF in Scotland. Non-legislative requirements should be incorporated into a 'PLF Standard Security Form' to ensure consistency and enforceability within the Scottish legal framework.

Legislative and non-legislative PLF requirements	
Legislative PLF requirements	**Include a bespoke regime for how MCOB[12] applies to R-PLF.** This could involve disapplying specific provisions of MCOB for R-PLF. Whilst Scotland could legislate for a specific Scottish PLF regime for MCOB, since MCOB applies across the whole of the UK, it is recommended that a unified approach be taken when engaging with the FCA to ensure a consistent regime.
	Detail the **ranking position** of **PLF payments** in relation to other creditors.
	That the **PLF standard security** must be **non-accelerating** and that it cannot be enforced by serving a calling up notice where the debtor demands payment of the whole outstanding loan.

[12] https://www.handbook.fca.org.uk/handbook/MCOB.pdf

Non-legislative PLF requirements	**PLF standard securities** should be **recorded** on the **Land Register of Scotland**, ensuring visibility and transparency for consumers, as well as security and assurance for funders (including the ability to realise that security).
	An **additional consent** to the **R-PLF standard security** should be implemented and **signed by a spouse or cohabitee** that benefits from occupancy rights, or a **declaration** would need to be **signed by the owner confirming the property is neither a family home nor a matrimonial home**. This should be obtained from the new owner upon each sale of the property. As this aligns with standard practice in conventional mortgage lending in Scotland, it should not be considered burdensome.
	An **assignation of the PLF loan agreement** should be included as part of the sales pack. For commercial borrowers, a **security deed of confirmation** should be given confirming the company's awareness of the PLF standard security and their agreement to continue to be bound by it, avoiding the requirement for PLF lenders to take a new standard security every time a property is transferred. Since the standard security remains attached to the property and the underlying debt is assigned to the incoming buyer, this structure mitigates concerns related to hardening periods, whereby the security can be challenged.
	To ensure transferability of the PLF standard security when the property is sold, a **restriction on disposals provision** should be included in a standard form, prohibiting the sale of property without the incoming purchaser agreeing to be bound by the PLF loan agreement or the seller repaying the entire amount upon sale if the buyer doesn't agree to take on the PLF.
	R-PLF should also have a **short-form standard security**, made by reference to a set of mortgage conditions contained in a separate document. These conditions would also then be registered on the **Land Register of Scotland** for evidential purposes. PLF standard securities could vary the standard conditions to prohibit the disposal of the property without the consent of the PLF lender or without the incoming purchaser agreeing to be bound by the PLF contract.
	Where possible, the **key terms** of the **English** and **Welsh**, and **Scottish security documents** should be aligned to ensure consistency and reliability for both customers and lenders.
	Early repayment should be built into the **PLF loan agreement or terms and conditions** to ensure customer ease.

In summary, whilst legislation would be necessary to govern PLF's interaction with MCOB, this does not apply to C-PLF and therefore C-PLF could be achieved immediately through a bespoke standard security, noting the specific features outlined above. To achieve as streamlined an approach as possible, it is recommended that Scottish Government introduce legislation to outline the bespoke features of PLF in both residential and commercial markets.

Delivery partners

Establishing a thriving Scottish PLF market will require the support and innovation of multiple partners across the value chain:

- **Capital providers:** Providers of PLF capital may include banks, building societies, non-bank lenders and institutional investors.
- **UK public finance organisations:** UK public finance organisations – such as the National Wealth Fund, Scottish National Investment Bank and British Business Bank – can play a vital catalytic role in the early stages of the PLF market. For example, a credit enhancement guarantee[13] for early PLF transactions could improve pricing while data on the performance of PLF transactions is gathered. Alternatively, cornerstone investment could attract private capital into early PLF schemes by reducing the perception of 'first of a kind' transaction risk.
- **Retrofit contractors and specialists:** Ensuring that high-quality retrofit specialists undertake projects that are funded by PLF will increase trust in PLF schemes.
- **Regulators:** Regulators will play a vital role in enabling the creation and scaling of the PLF market, through appropriate protection for consumers and building trust in the market.
- **Registers of Scotland:** The Registers of Scotland will be a vital partner for the registration of PLF standard securities on the Land Register of Scotland and facilitating transparency about the existence of PLF on a property during the buying and selling process.
- **Legislators:** The introduction of a new PLF standard security – that is appropriately designed for the market and supports iterative improvements – will enable the creation of the Scottish R-PLF and C-PLF markets. Scottish Government should work with the FCA to develop a bespoke regime for MCOB and where possible liaise with UK Government counterparts to ensure a consistent regime for the whole of the UK.
- **Other market participants:** Estate agents, conveyancers and other parties involved with the sale and purchase of property will play a key role in customer education around PLF.

[13] Noting the Scottish National Investment Bank is not able to provide guarantees.

5. Consumer and commercial research insights

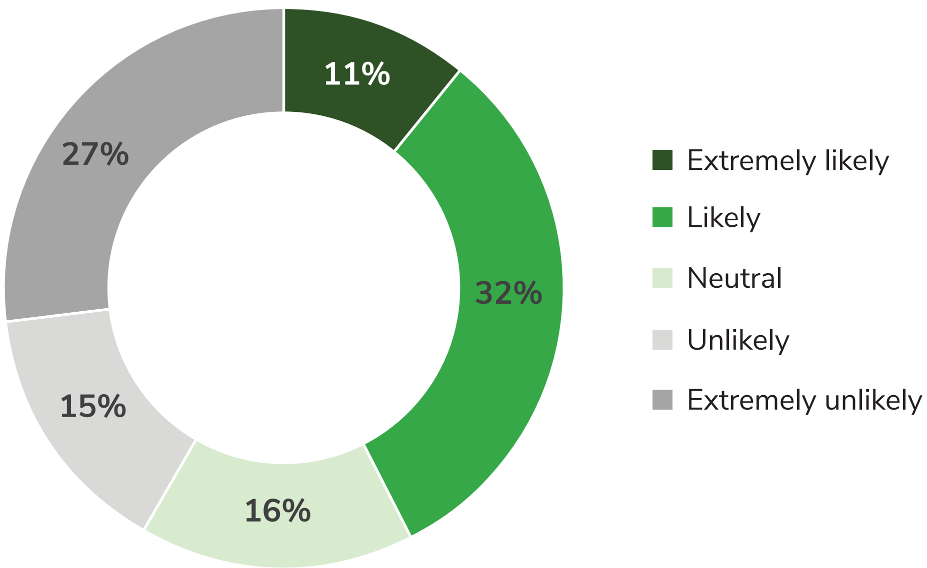
The Scottish Government's Green Heat Finance Taskforce: report part 1[14], published in November 2023, called for research to test the viability of PLF in Scotland. An essential first step is to test the demand amongst consumers and businesses for R-PLF and C-PLF respectively, to ensure the products would succeed in the Scottish market and help build a business case for PLF. The GFI commissioned research to assess the appeal and understanding of PLF, and identified key recommendations for government and industry to maximise its uptake and impact. The headlines of the consumer and commercial research are included below with full details included at Annex 2 and 3 respectively.

Consumer research

Headlines

- The consumer research revealed **strong awareness around environmental issues** and a **significant demand for green home improvements**, which presents an opportunity to build interest for PLF.
- Understanding of PLF was highest amongst landlords with **80% of landlord respondents understanding the concept of PLF** once shown information about the new financial product (vs 61% for residents[15]). The solution also **appealed most to landlords at 69%** (vs 47% for residents).
- The research revealed encouraging demand levels, with **59%** of consumers indicating they were **likely or neutral towards** using PLF and 43% likely or extremely likely to use PLF, which is an encouraging response to a new financial solution (Figure 1).
  - The strongest supporters were first-time buyers in the pioneer group[16] of whom **80% were likely to use PLF** (further information on the different groups segmented by attitudes is provided in Annex 2).
  - Landlords were also particularly interested with **67% likely to use PLF**.

Figure 1: **likelihood of consumers using PLF**[17]



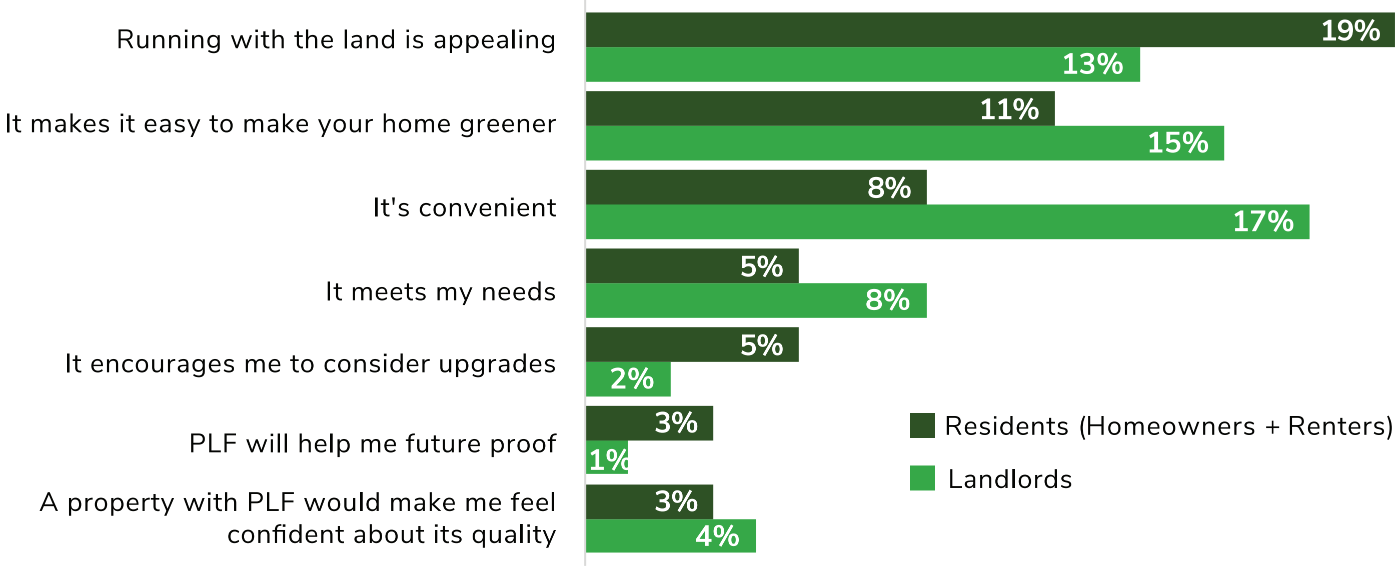
[14] https://www.gov.scot/publications/green-heat-finance-taskforce-report-part-1-november-2023/pages/4/.

[15] Residents include homeowners and renters, so exclude the landlord responses.

[16] The pioneer group were defined as having confidence managing their money and finances, having strong capability and openness to make green home improvements and having strong support for government plans.

- Appetite was primarily driven by **flexibility and ease** (Figure 2).
- PLF is appealing to consumers as it aligns with their **long-term goals to make energy efficient home improvements and reduces the cost burden** as it incurs no upfront costs and spreads repayments over a longer period. This aspect of PLF was particularly appealing to consumers who are more debt-adverse, in particular younger lower-income families.
- Consumers were also interested in PLF as it **attached to the property allowing for more flexibility and less commitment** compared to alternative finance solutions such as a mortgage.

Figure 2: factors driving PLF appeal

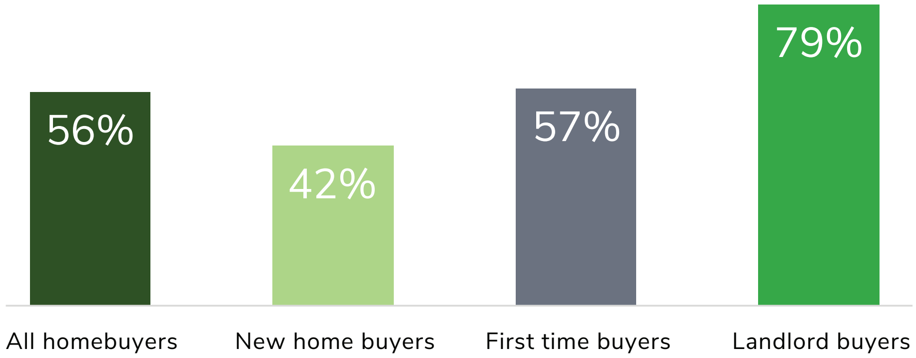


- Outright owners were less likely to use PLF as they were deterred from taking debt out on their property – so not a reaction unique to PLF. Only 16% of resistors[18], the majority of whom were outright owners, were likely to use a green mortgage to make a green home improvement, demonstrating outright owners' general aversion to finance. Concern around the negative impact PLF could have on the buying and selling process, a process consumers often already find challenging.
  - Some homeowners felt PLF could make their homes less desirable and deter potential buyers from considering purchasing their homes.
  - There was also uncertainty around how improvements made via PLF would impact the value of consumers homes.
- Consumers expressed the need for tangible examples showing how PLF would impact the buying and selling process and the value of a property.
- The survey results were positive regarding appetite to purchase a property with PLF: **56% of homebuyers would buy a property with PLF attached** however responses to this were divided amongst groups (Figure 3).
  - **79% of landlord** homebuyers and **71% of first-time buyers from the pioneer group would buy a property with PLF attached.**
  - In contrast, only **23% of resistors would buy a property with PLF attached** in line with the resistor group general responses to the research.

[18] The resistor group were defined as having high confidence in managing their money and finances but having low capacity for making green home improvements and low support for government plans.

[17] This chart shows the responses to the question "How likely would you be to use PLF to make green home improvements to your home?" where respondents were asked to provide a score on a scale of '0-extremely unlikely – 10-extremely likely'. The pie chart reflects the following segmenting of the responses: Extremely unlikely is considered a score between 0-1; Unlikely is a score of between 2-4, Neutral is considered responses with the score of 5; Likely is a score of between 6-8 and Extremely likely is a score of between 9-10.

Figure 3: likelihood of buying a property with PLF



- A correlation analysis found **positive sentiment towards government net zero plans**[19] and green home finance solutions – including PLF – were **strongly correlated** in the scenario where minimum energy efficiency standards were in place.

> *"It would make it more **affordable** to the current owner as the **upfront costs are a big consideration** and it can take a lot of years to recover the investment."*
>
> **Homebuyer**

> *"I love the fact it can be paid off longer term and that it stays with the property. It's also safe in the sense of your circumstances changing... I think this is particularly useful for the higher cost upgrades I'd be keen on (heat pump, windows etc.)."*
>
> **Homeowner**

> *"I have **concerns** how buyers would feel and how it would affect their **mortgage affordability**."*
>
> **Homebuyer**

Sizing the residential market opportunity for Property Linked Finance

- SEC Newgate utilised market data to estimate that **£11.8 billion** of investment is required to upgrade Scotland's inefficient housing stock. Appetite data from the quantitative research applied to this provides an estimated potential size of the R-PLF market in Scotland of between **£4.5-5.7 billion**.
- As PLF is not yet on the market and was introduced as a new concept to most of the respondents, it is expected appetite for PLF may grow once it is an established product.
- GFI also considered CFP's Green Buildings Tool[20] data which looks into a sub-section of the market considering only energy efficiency measures with a payback period of <15 years which provides a sub-market potential for PLF of between £3.2-4 billion when applying the same appetite data as above. Since PLF offers the opportunity for consumers to spread the cost of measures over a longer time period, it could therefore offer a valuable solution to unlock appetite for measures that have a payback period >15 years. See Annex 4 for more details.
- These figures only reflect the potential impact of PLF in supporting retrofitting and have a focus on energy efficiency measures. They do not account for how PLF could support construction of new homes in Scotland and the potential for use in climate resiliency measures and so the potential for R-PLF in the UK market could be considerably higher.

[19] Note: at the time of the study, the draft Heat in Buildings Bill had been put forward in its original form. Since then, the bill has been delayed until after the Scottish Election in May 2026

[20] CFP Green Buildings Tool is an assessment platform that provides precise insights for real assets, identifying where investment will have the greatest impact and where the highest savings potential lies: Discover our Green Buildings Tool – CFP Green Buildings

Recommendations

Key recommendations and next steps to improve the appeal and impact of green home finance solutions, such as PLF, include:

Building trust by increasing awareness
Raise awareness of the cost and tangible benefits of green home improvements and PLF to grow market potential in Scotland.

Raising confidence by building financial literacy and capability to make green home improvements
Building financial literacy and helping consumers to understand the flexibility of PLF will help boost understanding and appeal amongst consumers with low debt appetite.

Increasing appeal and relevance with targeted messaging
Ensure the messaging resonates with the target audience. Link the outcomes of the solutions to consumers top motivations (energy efficiency and cost savings).

Highlighting innovative features of the product
Highlight PLF's unique features and unique purposes to ensure stronger appeal and take-up within the Scottish market. The research found a strong correlation between high innovation scores and appetite.

Leveraging the relationship between government stance and solution appeal
Support for government plans is highly correlated with positive attitudes towards green home finance solutions, meaning that collaboration in helping consumers understand government regulation in a way that is palatable and that boosts knowledge and appeal of the solutions is essential.

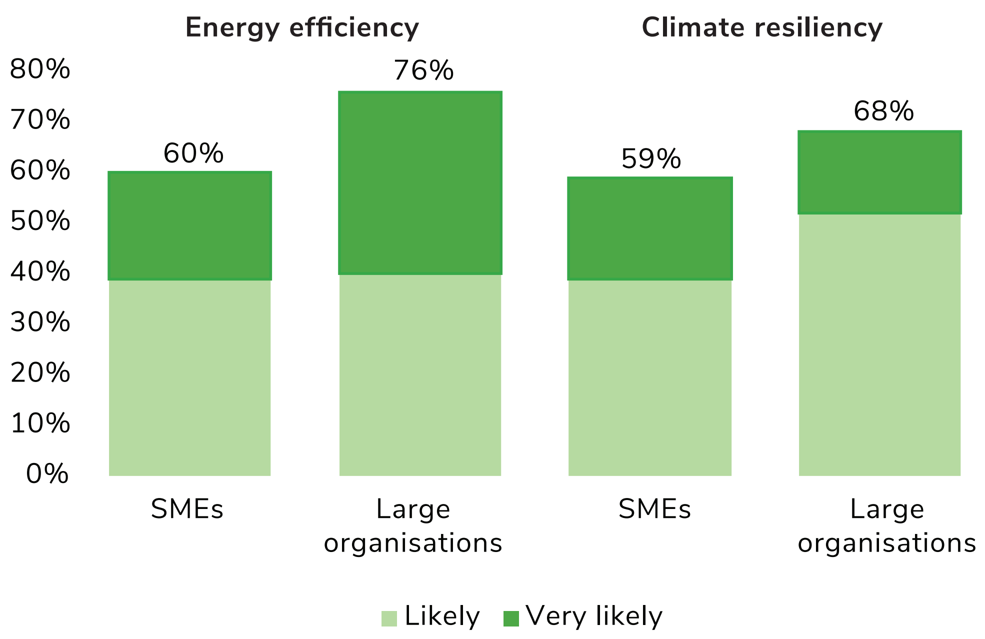
Further information on the consumer research is provided in Annex 2.

Commercial research

Headlines

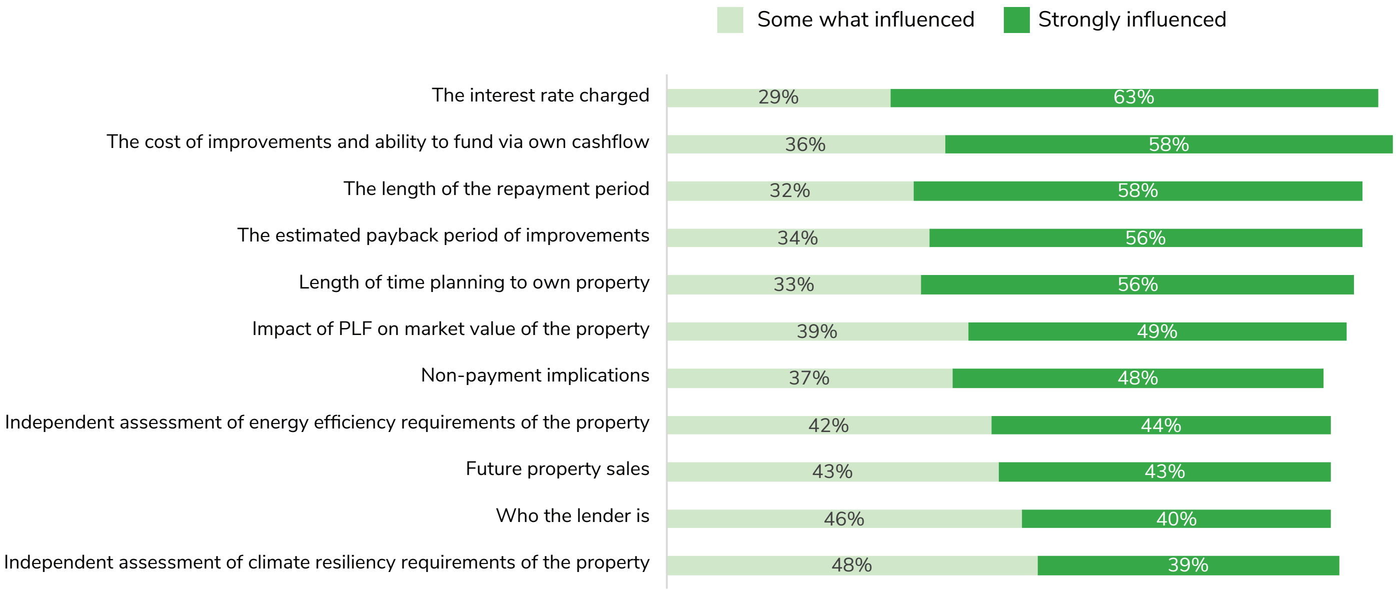
- The commercial research found that **nearly all businesses felt improving energy efficiency and climate resiliency of their properties was important**, with a large proportion of respondents having already invested in energy efficiency or climate resilience measures in the last year.
- Respondents were able to **easily understand the concept of PLF** and felt confident it was a concept that would work, provided that the terms of the loan were transparent and that it was well regulated.
- Appetite for PLF was high, with **62%** of respondents likely to explore using **PLF for energy efficiency measures** and **60%** of respondents likely to explore using **PLF for climate resiliency measures** (Figure 4).

Figure 4: likelihood of SMEs and large organisations using PLF for a commercial property



- The research found larger enterprises were more likely to be interested in PLF than SMEs with **76%** of respondents from large enterprises likely to explore using **PLF for energy efficiency** measures and **68%** of respondents from large enterprises likely to explore using **PLF for climate resiliency** measures.
- Whilst most respondents were open to the idea of PLF, some respondents did not feel it would be a good fit for their organisation, mainly due to their overall attitude to debt, and having healthy cash flow within their business, rather than being unattracted to PLF's specific features.
- PLF was deemed attractive to enterprises as it offers **no upfront costs**, enables businesses to **make improvements quickly** and **runs with the land**, meaning you only pay for the improvement whilst benefiting from it.
- Respondents also noted that the **interest rate**, the **cost of the improvements**, the **ability to fund via cash flow**, the **length of the repayment period**, the **estimated payback period**, and the **length of time they were planning to own** the property would impact the likelihood of them using PLF. See Figure 5 below for full list of factors, ordered by the percentage of survey respondents strongly influenced by each.

Figure 5: influences on the suitability of PLF



- Some respondents expressed concerns about PLF, regarding how PLF could impact existing mortgages and liabilities, the impact PLF could have on property value and how PLF could add additional complexities to the buying and selling process.
- The research found that there were **mixed views** on the potential impact **PLF** could have on **property valuation**.
  - **Landlords** who were motivated by potential minimum energy efficiency standards (MEES) changes felt that having a complaint EPC would **enhance the value of their property, despite it having PLF attached**, which was of little consideration to them.
  - **Owner-occupiers**, who were not worried about MEES changes, **felt that the finance could decrease the value of their property**.
- Respondents reported they would want to carefully consider the length and terms of the loan, the quality of the improvement carried out and the benefits of the improvement before buying a property with PLF attached.

*"Oh, it will definitely enhance the **value of the property**, especially now, especially when selling it, because if it is a **D** and I'm selling it in **2029**, I will have a **struggle to sell it**, so that will help – the fact the job has already been done" –*
SME commercial landlord

*"It would bridge a gap, as we want the **cost savings** and want to do **something for the environment**. This would mean we **wouldn't have to find the money, could pay it in hopefully smaller installments**"*
SME, owner occupier

*"Often with schemes like this, you get contractors who are incentivized to do this work and standards may slip … you could end up with a **20-year loan on insulation that is not up to scratch**"*
SME, owner occupier

Sizing the commercial market opportunity for Property Linked Finance

- Appetite data from the commercial research was used alongside market data to estimate the potential size of the C-PLF market in Scotland to be between **£4.2-9.3 billion**.
- As PLF is not yet on the market and was introduced as a new concept to the majority of respondents, it is expected appetite for PLF may grow once it is an established product.
- These figures only reflect the potential impact of PLF in supporting retrofitting with a focus on energy efficiency measures. They do not account for how PLF can support new construction projects in Scotland and the potential for use in climate resiliency measures and so the potential for C-PLF in the UK market could be considerably higher.

Recommendations

The commercial research found that confidence and trust in PLF could be built through:

- **Having a clear and transparent process** – respondents would want to know the T&Cs, penalties for late payments, safeguards against non-payment by previous or subsequent owners, and guarantees on the work done, before committing to a loan.
- **Government backing** was seen by many as a way of legitimising the loan, however, some respondents were more wary about schemes due to previous negative experiences e.g. with the Green Deal.
- **'One-stop shops'** where enterprises could seek advice on finance options including PLF, green improvements and accredited suppliers.

Further information on the commercial research is provided in Annex 3.

PLF's relevance to Scottish building archetypes

GFI collaborated with CFP to consider where PLF can support with different building archetype decarbonisation plans focused on the impact of energy efficiency investments on building EPC ratings and annual energy savings. Using data from CFP's Green Buildings Tool (GBT), 513 building archetypes across the UK were assessed, demonstrating how targeted investments can improve energy efficiency and reduce energy costs.

Key findings include:

- Of the 513 building archetypes analysed, 293 showed improvements in their EPC rating after investments with a payback period of less than 15 years were implemented.
- Across all archetypes, savings were derived from investments in energy efficiency, providing financial benefits even without EPC rating improvements.
- Investment costs varied by building type, with houses requiring £51–77 per m² and offices £54–107 per m². Hotels had the lowest average investment per m², particularly in Scotland (£33 per m²), but saw very few EPC improvements.

The GBT's standard methodology sets a limitation on measures to only include those that have a payback period of <15 years which is considered a 'cost-effective retrofit'. PLF offers the opportunity for consumers and businesses to spread the cost of measures over a longer time period and therefore can unlock appetite for measures that have a payback period >15 years. The average payback period is also longer for smaller assets and so PLF could be particularly useful in supporting decarbonisation of smaller properties. The GBT's standard methodology applies measures with a positive impact on energy and cost savings. As such, typically heat pumps are not recommended as standard for domestic properties as, given the price of electricity compared to gas in the UK, they rarely reduce costs. As a consequence, they also rarely improve a domestic EPC and are often not cost effective especially in a poorly insulated property in the UK. See Annex 4 for a sample of Scottish property case studies from the GBT.

Conclusion

- PLF has the potential to address a significant portion of the £18.6-26.7 billion investment gap required to upgrade Scotland's inefficient building stock, with the commercial and residential market sizing indicating PLF has the potential to mobilise between **£8.7-15 billion**, if key recommendations, such as increased market education and government support are implemented.
- Both consumer and commercial research studies demonstrated the **importance of government policy** and the need for government support to encourage consumers and businesses to upgrade their buildings and use PLF. They also highlighted the **importance of building trust and awareness** around how PLF works to support wider market adoption.
- Both studies revealed mixed views on how respondents thought PLF might impact the buying and selling process. However, both were able to identify a clear group of respondents who did not express concerns around this issue and could be deemed likely to buy a property with PLF attached. Addressing concerns raised around the buying and selling process should be a priority as the Scottish PLF market is developed.
- The consumer research also demonstrated the **importance of building financial literacy** and consumers' **capability to make green home improvements** to encourage take up. Unlike in the commercial research, in the consumer study, some respondents with lower financial literacy and capability struggled to understand the concept of PLF.
- The CFP analysis shows there is an important role for government in making measures such as heat pumps more financially attractive than the gas counterfactual by rebalancing gas and electricity prices. The analysis also shows there is an opportunity for PLF to support with unlocking appetite for property improvement measures that have a longer payback period.

6. Next steps for Property Linked Finance in Scotland

Next Steps

Whilst there is a significant retrofit investment gap in Scotland, this report demonstrates that PLF could offer a transformative solution to bridge this gap. Research shows strong consumer and commercial appetite with 59% of respondents stating they were likely or neutral to using PLF, and over 60% of businesses expressing interest in using PLF for energy efficiency and climate resiliency upgrades. This translates to a potential market opportunity of between **£8.7-15 billion**.

A viable legal linking mechanism has been identified to enable PLF in Scotland and a clear step-by-step plan[21] as to how PLF can be launched in Scotland has been formulated by the GFI and is laid out below.

Whole of the UK | Whole of the UK, some nuances apply to Scotland | Only Scotland

Implement **C-PLF Pilot in Scotland using a standard security adjusted for PLF**

↓

Scottish Government to introduce **enabling legislation** to create a new type of **PLF Standard Security** for a streamlined conveyancing process and address **R-PLF interactions with MCOB**

↓

Use **lessons and insights from the C-PLF pilots** across Scotland and England and Wales to refine the model in Scotland for both C-PLF and R-PLF

↓

Establish relevant **UK wide public and industry bodies to oversee the market and promote growth**

↓

Prime the market for the launch of PLF in Scotland, including **financial institutions, mortgage brokers and intermediaries, lawyers, estate agents, property owners, regulators and local authorities**

↓

Launch the Scottish R-PLF and C-PLF markets using the **Standard Security linking mechanism**, potentially using blended finance structures to de-risk and support the early phase of the market

↓

Continually **iterate and improve** the market

Scotland has a unique opportunity to lead the UK in deploying PLF as a scalable financial solution to achieve net zero. To realise this potential, coordinated action between financial institutions, industry and government is required.

- Government must act swiftly to introduce enabling legislation and regulatory clarity.
- Financial institutions should engage in pilot programmes and prepare for market entry.
- Industry stakeholders must collaborate to build consumer trust and awareness.
- Public finance bodies should consider catalytic support to de-risk early transactions.

The GFI welcomes engagement from all stakeholders to progress this agenda and deliver a thriving PLF market in Scotland — unlocking investment, accelerating decarbonisation, and expanding financial inclusion.

[21] Dark green reflects where the step applies to the whole of the UK and a unified approach should be adopted, light green reflects where the step applies to the whole of the UK but there will be some nuances specific to Scotland to consider and blue reflects where the step only applies to Scotland.

Acknowledgments

We would like to thank the following organisations who have contributed their time, insights and expertise to support this report: Addleshaw Goddard LLP, SEC Newgate, CFP Green Buildings and Energy Saving Trust. We would also like to thank the Scottish Government for funding this work, contributing their time and insights, to support this report.

ADDLESHAW GODDARD

SECNewgate

energy saving trust

CFP GREEN BUILDINGS

Scottish Government
Riaghaltas na h-Alba

Annex 1: Local Land Charge mapping exercise

The GFI's collaboration with Lloyds Banking Group and NatWest Group identified LLCs as the preferred linking mechanism for implementing PLF in England and Wales across both residential and commercial properties. Under Scottish property law there is no equivalent to LLCs or the LLC register and as such, the LLC linking mechanism is not a viable option in Scotland. In England and Wales, there are a wide range of LLCs covering different types of charge / restriction and in developing the subject greenprint, a mapping exercise was conducted to investigate how different types of restrictions enforced by LLCs in England and Wales are enforced in Scotland. The exercise aimed to determine if there was an equivalent register or charge in Scotland that would be most suited for tracking PLF.

Charge/restriction	Enforcement in Scotland	Enforcement in England and Wales
A **Tree preservation order (TPO)** can protect individual trees, groups of trees or woodland areas. TPOs prevent current and future owners from carrying out any prohibited activities (e.g. cutting down, lopping, uprooting., etc.) on protected trees	A TPO can be made by a planning authority or a Scottish Minister. TPOs must be recorded in the Land Register of Scotland (the Land Register of Scotland is replacing the General Register of Sasines). Importantly it is not a charge.	TPOs are made by local planning authorities. Authorities must record TPOs in the LLCs register. LLCs run with the land, binding subsequent landowners and lessees.
Conservation Covenants or Conservation Burdens aim to preserve and protect the architectural or historical characteristics or other special characteristics of any land.	Conservation Burdens are title conditions included in the title deeds of a property and recorded in the Land Register of Scotland, acting as an agreement between the landowner and the 'conservation body'. Conservation burdens are enforced by a conservation body, running with the conservation body rather than the land.	Conservation Covenants were premised on Scotland's conservation burdens. Conservation covenants are registered as LLCs which run with the land, binding subsequent landowners and lessees.
Listed buildings protect buildings with special architectural or historic interest.	Buildings are listed and record by Historic Environment Scotland. Whether a building is listed is also included in a property's Home Report.	Listed buildings are recorded in the National Heritage List for England / the CADW records as well as the LLCs register which runs with the land, binding subsequent landowners and lessees.

Charge/restriction	Enforcement in Scotland	Enforcement in England and Wales
Planning permission is required to carry out major changes (classified as "development") to properties.	Planning applications and their status are recorded in the local authorities' planning register. Subsequent owners are able to use approved plans.	Planning permissions are recorded in the LLCs register. Planning permissions account for the majority of LLCs. Subsequent owners are able to use approved plans.
Local authorities provide **grants** to support home adaptation, repairs and improvements.	The local authority records a Notice of Payment of Grant in the Land Register of Scotland. The notice is attached to the property meaning if the property is sold the new owner must uphold the notice. The notice is enforced by the local authority. Importantly this is not a charge over the property.	Grants are registered as LLCs. An LLC is registered for grants in excess of £5,000 for the amount in excess (e.g. a £6,000 grant equates to a £1,000 registered charge). The current owner is obliged to repay the charge upon sale.
Local authority charges are charged when a local authority becomes aware of a building that poses a threat to people in or about the building and they must carry the appropriate measures to mitigate this risk.	Local authorities can recover any associated cost by registering a charge on the Land Register of Scotland. This attaches to the proceeds of the sale of the property.	Local authorities can register financial charges on LLCs register for any associated costs, binding successive owners.

The analysis above demonstrates that Scotland's equivalent charges/restrictions to England and Wales LLCs, are most often recorded in the Land Register of Scotland. It is therefore suggested that this is the most appropriate register for PLF charges in Scotland to be recorded in. A standard security is the only viable option in Scotland explored that is recorded in the Land Register of Scotland and that aligns with PLF's five guiding principles.

Annex 2: Consumer research further information

The GFI engaged with SEC Newgate to commission consumer research. The consumer research included both qualitative and quantitative elements and explored the proposed concept of PLF with homeowners and homebuyers in Scotland, focusing on four main objectives:

- To assess consumers' attitudes towards the Scottish government's energy efficiency ambitions and targets and how the government's positioning influences consumers' views on energy efficiency home improvements and PLF.
- To explore the appeal and understanding of PLF amongst target consumers in Scotland and how these fits into their desire for energy efficiency home improvements when compared to alternative finance solutions.
- To understand how consumers would expect PLF to impact the buying and selling process and identify any potential barriers to overcome.
- To explore what gives consumers confidence and trust in green home finance products and ways to improve the consumer experience.

Methodology:

The qualitative research involved a 3-day online community with 24 participants in February 2025. This was followed by the quantitative research which was conducted via an online survey between 23rd January and 3rd February 2025. The total sample was 1,023 and was nationally representative across age, gender and region with weighting applied to ensure tenure representation. The quantitative findings were leveraged to undertake a residential market sizing exercise.

Market sizing:

- Appetite data from the quantitative research was used alongside market data to estimate the potential size of the R-PLF market in Scotland.
- SEC Newgate utilised market data to estimate that **£11.8 billion** of investment is required to upgrade Scotland's inefficient housing stock.[22]
- **Appetite data from the consumer research** was then applied to this figure to estimate the potential size of the market based on current consumer demand, which is estimated to be between **£4.5-5.7 billion** with the upper bound figure utilising the 59% likely or neutral to use PLF figure and the lower bound just including the 43% likely or extremely likely to use PLF.

[22] The number of homes in Scotland was sourced from government CENSUS data, and was multiplied by the percentage of homes in Scotland rated EPC D and below, which was sourced from the Scottish House Condition Survey: 2022, to estimate the number of qualifying homes for PLF. The number of qualifying homes for PLF was then multiplied by the average amount people are prepared to borrow to fund home improvements, sourced from TechSci Research, to estimate the total required investment to upgrade Scotland's inefficient housing stock

Cluster analysis:

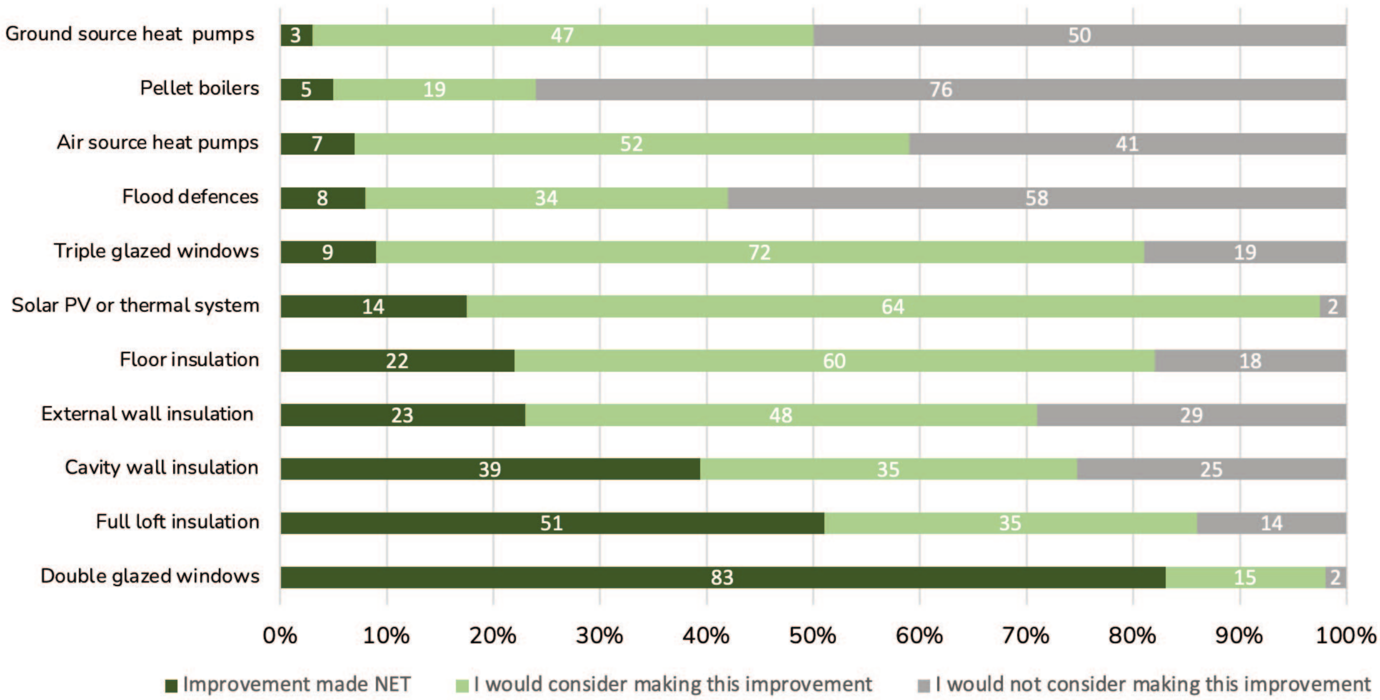
The consumer research looked at the views of both residents and landlords. The quantitative analysis identified three clear attitudinal clusters amongst resident respondents based on an assessment of confidence, literacy, openness, capability and government support, enabling the research to delve deeper into each groups' views and needs. The attitudinal clusters were:

- The pioneer group were defined as having confidence managing their money and finances, having strong capability and openness to make green home improvements and having strong support for government plans.
- The aspirant group were defined as having low confidence managing their money and finances but being highly motivated to make green home improvements despite it being challenging for them to do so, they also had strong support for government plans.
- Lastly, the resistor group were defined as having high confidence in managing their money and finances but having low capacity for making green home improvements and low support for government plans.

Green home improvements awareness/appeal:

- The research found that there was **strong awareness around environmental issues** that need addressing, however there was a range of understanding regarding the types of improvements that can be made.
- Consumers were **uncertain about the process and costs involved in making upgrades** and the eligibility of their homes for improvements, making the rationale for PLF less clear.
- The quantitative analysis identified **significant opportunity** for green home improvements with **floor insulation, solar PV or thermal systems, triple glazed windows and air source heat pumps all having low instalment rates and high demand** amongst respondents who were aware of the improvements (Figure 6).

Figure 6: experience with green home improvements amongst respondents who were aware of each green home improvement



Government support:

- **Overall, respondents showed strong support for the Scottish Government's net zero goals, with 63% of residents and 76% of landlords supporting plans.**
- The correlation analysis highlighted the importance of helping consumers understand government regulation in a way that is palatable and that boosts consumers' awareness and appeal of solutions.
- Strong PLF appetite amongst respondents was reflective of respondents being made aware of government plans, emphasising the importance of raising awareness of government policy to scale retrofit and PLF adoption.
- Both residents and landlords supported introducing mandated minimum energy efficiency standards, which will play a critical role in recognising the full potential PLF market.

Annex 3: Commercial research further information

The GFI commissioned Energy Saving Trust (EST) to conduct commercial research on PLF with businesses operating across the UK. The commercial research included both quantitative and qualitative elements and explored SMEs' and large enterprises'[23] attitudes towards PLF, focusing on four main objectives:

- Better understand businesses' attitudes to improving commercial property to improve energy efficiency and climate resilience.
- Explore what influences those attitudes including the role of mandated energy efficiency standards.
- Better understand businesses' attitudes towards Property Linked Finance (PLF), including perceived benefits and risks and sentiment towards C-PLF in future.
- Estimate the potential value (£) of the market for C-PLF for England and Wales, and separately for Scotland.

Methodology:

Primary data was collected in February and March 2025 amongst UK SMEs and large enterprises:

- 257 surveys (27 of which were from Scotland[24]) were completed over 3 weeks
- 15 interviews (5 of which were from Scotland) were conducted

Market sizing:

- Appetite data from the commercial research was used alongside market data to estimate the potential size of the C-PLF market in Scotland.
- Based on market data an estimated investment of between **£6.8-14.9** billion is needed to upgrade Scotland's inefficient commercial building stock.[25]
- PLF appetite data was then applied to these figures to estimate that, based on current demand, PLF's commercial market opportunity could be between **£4.2-9.3 billion**.

[23] Large enterprises were defined as businesses with over 50 employees and property ownership of over £20 million.

[24] Reflecting 11% of responses which is greater than the population and proportion of businesses in Scotland.

[25] The number of commercial buildings in scope and EPC distribution data, both of which were sourced from Scottish Government data, were used to estimate the number of commercial properties in Scotland with an EPC of D or below. An upper and lower estimate was calculated, where the lower limit excluded all privately owned buildings within public assembly, healthcare and education, and the upper limit included all publicly owned buildings in those same categories. This estimated number of commercial properties with an EPC D or below was then multiplied by the average estimated retrofit cost sourced from the Energy Saving Trust advice service data. Two cost estimates were utilised, with the lower figure accounting for the cost of insulation, lighting, windows, air source heat pump and the upper figure also accounting for solar PV

Energy efficiency and climate resiliency awareness/appetite:

- The research found there was **high awareness of energy efficiency improvements** amongst respondents.
- **96% of respondents** felt **improving the energy efficiency** of their properties was **important**
  - **61% of respondents**, or their tenants, had **invested in energy efficiency** improvements at owned properties in the **past year**.
- **93% of respondents** felt **improving the climate resiliency** of their properties was **important**
  - **45% of respondents**, or their tenants, had **invested in climate resiliency** improvements at owned properties in the **past year**.
- 48% of respondents' businesses **funded improvements through cash flow**, with **30% of respondents' businesses** using a **bank or commercial loan, or business mortgage**.
- When considering energy efficiency and climate resiliency measures respondents were **primarily motivated by financial considerations**, including the cost and term of the finance product used, reducing current and future energy costs, their ability to fund upgrades via their own cashflow and the estimated payback period of the measure.
- Government policy was also a significant motivator, with 86% of respondents being influenced by meeting minimum energy efficiency standards. See table below for full list of factors, ordered by total percentage of survey respondents influenced by each.

Influencing factors when considering improvements	Percentage of respondents strongly influenced	Percentage of respondents somewhat influenced
The cost and terms of finance	61%	30%
Reducing current and future energy costs	59%	35%
Ability to fund via own cashflow	55%	36%
Length of time planning to own property	53%	35%
The estimated payback period of improvements	51%	40%
Potential disruption to normal business	49%	37%
Meeting minimum government mandated energy efficiency standards	45%	41%
Reducing current and future risk of damage from extreme weather events	48%	36%
Environmental goals	41%	42%
Improving the attractiveness of properties	32%	47%

*"Our customer base [is] **generally quite young**, lots of Gen Alphas and it's [the environmental impact] something that's **important to them**."*
Large, commercial landlord

*"It's primarily financial – **the economic benefit of reducing energy use**"*
Large, owner occupier

"To increase our portfolio value more than anything else. That's the whole point of these is to get these old buildings and make them nice ... more efficient and ... better for the local community."
SME, commercial landlord

Annex 4: CFP Green Building Tool further analysis

GBT case studies

The investment figures used in this report are derived from the CFP's GBT. These figures are based on a comprehensive library of sources collated over multiple years, combining actual contractor quotes with desk research. Costs include both materials and labour, but exclude VAT. The figures are reviewed and externally validated annually, with the most recent validation completed in July 2025. It is important to note that actual costs will depend on the details of each specific home and can differ from situation to situation.

The table below shows a sample of Scottish case studies which shows different selection of measures the GBT recommends for each property to improve the EPC. The cost and payback for each measure is shown individually as well as a combined total investment cost, payback period and associated savings.

City	Property type	Year built	Area (m)	Investment	Savings	Payback Period	Current EPC	Improved EPC	Measure 1	Measure 2	Measure 3	Measure 4	Measure 5	Measure 6
Domestic														
Dumfries	Mid-terraced house	Pre 1966	202	£ 15,000	£ 3,600	4.2 yrs	E	C	Smart Thermostat: £390, 2.4yrs	Wall Insulation: £1,300, 2.4yrs	Roof Insulation: £3,900, 2.4yrs	Floor Insulation: £3,500, 10.6yrs	Solar Panels: £5,600, 6.1yrs	
East Lothian	Semi-detached house	2002-2006	100	£ 3,400	£ 530	6.4 yrs	C	C	Solar Panels: £3,000, 6.1yrs	Smart Thermostats : £390, 8.9yrs				
Non-domestic														
Glasgow	Shopping Centre	1982-1990	18,281	£ 984,000	£ 610,000	1.6 yrs	G	E	LED lighting instead of flourescent tubes: £37,000, 1.2yrs	LED lighting instead of halogen: £7,400, 0.7yrs	LED lighting instead of CFL: £315,000, 0.7yrs	Solar panels: £604,000, 4.5yrs	Wall insulation: £12,000, 2.9yrs	
Aberdeen	Community centre	1991-1996	400	£ 16,000	£ 3,400	4.7 yrs	G	C	Lighting activated by motion sensors: £1,200, 2.1yrs	Daylight responsive lighting: £2,100, 4yrs	Solar Panels: £5,600, 8yrs	Energy management and energy control: £1,300, 2.1yrs	Thermostat for heater on lower temperature: £320, 1.3yrs	Wall Insulation: £5,300, 7.4yrs

Measures have varying payback periods depending on the property, with older properties that have lower EPC ratings, having the potential to see shorter payback periods for the same measure. Whilst some measures don't show an improvement in EPC rating, the underlying score will have improved and notably there are savings associated with each of the investment measures. The GBT follows a stepped retrofit approach, starting with low-cost operational or behavioural changes and works its way towards considers more complex interventions (e.g. HVAC or renewables) at the final stage. This progression helps contain costs and ensures alignment with the 15-year payback constraint that is built into the CFP model and is set at what is considered a 'cost-effective retrofit'.

Solar panels are recommended across most assets, as it is assumed that most buildings would not already have solar installations. This assumption is based on the fact that solar has never been mandated under UK building regulations. A low percentage of domestic properties are recommended HVAC-related measures due to the fact that many HVAC measures do not positively impact the EPC rating and cost savings, or are not relevant to domestic buildings. An example of this would be that the GBT doesn't recommend heat pumps as standard for the vast majority of domestic properties, given the standard algorithm is designed to apply measures with a positive impact on energy and cost savings and heat pumps typically do not reduce energy costs in the UK.

The domestic market opportunity

Utilising government data on the cost of retrofitting residential properties in the UK, and cross-referencing it with cost-effective retrofit estimates from the GBT, CFP estimate that 16 million homes would need retrofitting to achieve a minimum EPC C, equating to an investment of around £117 billion. The domestic market is segmented by tenure type with Owner Occupier (OO) homes represent the largest share, followed by Social Rented (SR) and Private Rented Sector (PRS) homes. PRS homes require a higher per-property investment than SR homes to meet the EPC C target. The table below shows a breakdown of the cost figures by tenure type for the Scottish market.

Tenure Type	Homes	Cost/Home (£)	Total Cost (£b)
Owner Occupier	885,047	7,714	6.83
Private Rented Sector	203,125	6,864	1.39
Sub total	**1,088,172**	**7,554**	**8.22**
Social Rent	362,724	5,489	1.99
Total	**1,450,896**	**7,037**	**10.21**

Note that this total cost only considers upgrade measures that improves a property's EPC rating. As such, certain measures such as heat pumps which often do not enhance EPC ratings in UK homes, were rarely included in the modelling.

Utilising the £8.2 billion sub-total of owner occupied and private rented sector properties as the base population and applying the same appetite data from the consumer research referenced above, provides a potential size of the PLF market, when considering 'cost-effective retrofit' measures, of between £3.2-4 billion.

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