



**Improving the energy performance of privately rented homes
in England and Wales
Domestic Private Rented Sector Minimum Energy Efficiency Standards**

Response by the Intermediary Mortgage Lenders Association

May 2025

IMLA

IMLA is the representative trade body for mortgage lenders which lend wholly or predominantly through intermediaries. Our 56 members (19 banks, 19 building societies and 18 non-bank and specialist lenders), include 18 of the top 20 UK mortgage lenders responsible for approximately 93% of gross mortgage lending.

IMLA provides a unique, democratic forum where intermediary lenders can work together with industry, regulators and government on initiatives to support a stable and inclusive mortgage market. We welcome this opportunity to comment on the Consultation Paper on improving the energy performance of privately rented homes and reviewing domestic private rented sector minimum energy efficiency standards.

Summary

In common with other responsible voices in the industry, IMLA shares the general concerns about the risks associated with growing climate change, and the need to make effective changes to the energy efficiency of domestic property in the UK. The current consultation focuses its attention on the private rented sector (PRS), which provides homes for approximately 19% of households in the UK, 11% being owned with a mortgage and 7% owned outright by the landlord. Previous consultations on this topic (in 2020) focused on both the private rented sector and the mortgaged owner-occupied sector – which accounts for approximately 30% of households. Those consultations did not therefore address the energy efficiency of property in the public rented sector (approx 17% of households) and the unmortgaged owner-

occupied sector (34%). We would urge the government to bear in mind that the demands of those other sectors – not least in terms of the demands on availability of materials and labour - will have a bearing on what may be achievable in the PRS – and ensure a degree of consistency and fairness on what is expected and demanded of private landlords.

We also urge the government to ensure that proposals for improving energy efficiency are fully aligned – both in terms of realistic timescale and anticipated impact on landlords – with the provisions of the Renters' Rights Bill, which are not expected to come into effect until the end of 2025. Landlords have for many years been subject to a steady stream of punitive political and financial measures which have combined to have a seriously detrimental effect on their business plans. Some have opted to leave the PRS altogether: others are remaining, but looking to diversify into more cost-effective types of property (such as houses in multiple occupation – HMOs) – which may be suitable for individuals and couples, but are not suitable for families or those needing to rent on a long-term basis. The imposition on landlords of yet more punitive and costly requirements to improve the energy efficiency of their properties – particularly where such requirements are not matched by equivalent expectations of the owner-occupied sector – is likely to cause more landlords to exit a sector which risks becoming increasingly unviable financially.

IMLA has consistently emphasised the importance of the PRS to the UK's housing provision: decades of failure to build sufficient stock of property available for public renting has inevitably shifted the balance such that the PRS is now larger – but the majority of landlords are private individuals who own only one or two properties. Statisticians tell us to expect increasing demand as more households are formed – and also increasing immigration, which will be essential if our public services and industries are to be fully staffed in the future. The ONS has predicted that the UK's population will grow from 67m in 2021 to 73.7m in 2036 and 76.6m in 2046. For the past 20 years successive governments have identified the need to build 300,000 more homes each year – but have consistently failed to meet that target, such that we have an estimated shortfall of some 6m homes as of 2025. It is by no means clear where the additional 10m people expected to be living in the UK by 2046 are going to be housed – but it is clear that any measures which disrupt or reduce the PRS cannot be positive.

So far as the questions posed in the consultation are concerned, we would offer the following comments:

1. Do you agree with government's preferred position of using new alternative Energy Performance Certificate (EPC) metrics following EPC reform as the basis for higher Minimum Energy Efficiency Standards (MEES) for privately rented homes?

We note that the government is proposing to move away from a cost-based metric as the basis for future MEES in the PRS and agree that this is sensible, given the potential for price fluctuations in fuel prices. However, given that the

outcome of the review of EPCs is unlikely to be known until 2026, it would appear that the consultation is asking respondents to agree or disagree with “new alternative EPC metrics” without knowing precisely what those metrics are to be.

EPCs will apply to **all** residential properties – not simply those in the PRS. It is therefore essential that the metrics on which they are based and the purposes for which they are used are absolutely clear to property owners – whether they be owner-occupiers or landlords.

2. Government would welcome views on options for setting future MEES against a combination of new EPC metrics. Do you agree with government’s preferred approach of having a requirement to meet a primary standard set against the fabric performance metric and then a secondary standard set against either the smart readiness metric or heating system metric, with landlord discretion on which secondary metric their property meets?

What is the primary purpose of EPCs? Is it –

- to measure the carbon emissions of an individual property (thereby giving valuable pointers as to how those emissions could be reduced);
- to assess the relative efficiency of the current heating system (and how it could be made more efficient, while at the same time reducing carbon emissions); or
- to introduce metrics which would assess the actual energy usage of the current occupants? T

There is clear value in all three metrics – but attempting to combine all three in one EPC rating risks adding complexity and reducing the focus on the most important element – which is surely to assess the carbon emissions?

Landlords need complete clarity on what they are being told about the energy efficiency of their properties and what they are being required to do to improve that level of efficiency. The initial focus should be on the property fabric metric, which should then enable landlords to make clear decisions on what measures need to be taken and in what order of priority. The smart readiness metric is more open to variation and should be given secondary priority.

3. What are your views on the alternative approaches of:

Alternative 1: A requirement to meet a standard set against dual metrics of equal weighting. The standard would be set against dual metrics including two of the following: fabric performance, heating system and smart readiness.

Alternative 2: A requirement to meet an overarching standard set against all three metrics of fabric performance, heating system, and smart readiness, either through improvements across all standards or through landlords concentrating improvements against one or two standards.

In line with our preceding answer, we believe the primary focus should be on assessing the fabric performance of the property. Thereafter we prefer Alternative 2 as this would give landlords more flexibility according to the type of property and their ability to make improvements to it, the timing of which could well be impacted by the availability of materials/tradespeople.

- 4. Do you have any alternative suggestions for how government could utilise new EPC metrics as the basis for MEES, such as a single metric approach (e.g. fabric or cost based?) Please provide a rationale with your answer.**

As with our answer to question 2 – there needs to be greater clarity as to what the purpose of the new EPC metrics are. Measuring the efficiency of the property's fabric should give a specific, quantifiable answer which will not vary unless the property is adapted in some way. The cost of heating/running the property will be subject to many variables – including the price of energy, and the occupants' usage of that energy. The latter should not, in our view, form part of the EPC rating. We do not believe that landlords should not be expected to control their tenants' energy usage. It may be possible to incentivise landlords to encourage tenants to reduce their energy consumption, but it would be extremely difficult (and potentially quite invasive) to try to mandate this.

- 5. Do you agree with government's proposal to increase the maximum required investment for Private Rented Sector (PRS) MEES to £15,000 per property and for landlords to be able to register an exemption if expenditure would take them over this figure? If not, please set out whether you consider a cap should apply and how; and if so, what level you consider the cap should be set at and why (whether this is the 2020 proposal of £10,000 or another figure). Please explain your answer.**

No. We do not regard a cash maximum as being appropriate, given the wide variation in property prices across the country. For higher value properties, £15k might be regarded as a relatively small figure: for lower/lowest value properties, it could represent an unreasonably large proportion of the property's value and serve to disincentivise landlords from carrying out work to improve the property's energy efficiency. We agree that a cap should apply, and that it should be linked to the value of the property. This could be done by reference to the relevant Council Tax banding. While we appreciate these valuations are now many years old, they nevertheless give a reasonably consistent reflection of the property's relative value and would obviate the need to produce (and cost of commissioning) separate valuations for the purpose of applying cost caps for energy efficiency mediation.

6. Should government extend the exemption period for the cost cap to ten years? If not, how long do you think the cost cap exemption should last? Please explain your answer.

Yes. Ten years is a reasonable period – and it would presumably be open to landlords to invest in further improvement works if they chose to do so (and if a suitable opportunity arose). Five years' exemption period is unnecessarily short and could disincentivise some landlords from commencing improvement work which they might otherwise carry out.

7. Do you agree with government's preferred implementation timeline to require 'new tenancies' to meet the higher standard from 2028 and 'all tenancies' to meet the higher standard by 2030? If not, do you have alternative suggestions?

These proposed timelines are simply unrealistic and unachievable. The start of 2028 is now just 32 months away – and 2030 just 56 months: the revised EPCs will not be available until some time in 2026 – shortening the available time still further. We note that the government has pushed back the previous administration's proposed deadline for the sale of new petrol and diesel cars from 2030 – 2025: surely the comparative complexity of the retro-fitting of millions of domestic properties, calls for similar recognition of what is practical and achievable?

We note that UK Finance has suggested that its data shows that mortgaged landlords (who represent 60% of property in the PRS) will not be able to upgrade all their properties to (the current) EPC C until 2037 – 2043. Nationwide has estimated that in order to bring all properties which are currently below EPC up to that level, we would need to be upgrading more than 2000 properties every day. This is a complex, long-term project that simply cannot be delivered by target dates that bear no resemblance to reality. There is a real risk that if unrealistic dates are imposed, work may be carried out by cowboy operators who promise to deliver "solutions" but who may end up costing landlords even more, by botching jobs and wasting valuable resources.

The previous government's 2020 consultation proposed a "*phased trajectory for achieving the improvements for new tenancies from 2025 and all tenancies from 2028*". Many respondents pushed back on those targets as being unrealistic. If the same timescales were to be applied to the current consultation, the proposals would be for the "phased trajectory" to aim at 2030 for new tenancies and 2033 for all tenancies. Instead of referring to a "phased trajectory", however, the current consultation appears to be contemplating **requiring** the new standards to be achieved – and in a significantly shorter period of time. The practical considerations which caused us (and other respondents) to reject the earlier proposed timescales still apply: there is a significant and critical shortage of materials and available tradespeople to undertake the required volume of work.

The proposal to have two target dates, one for new tenancies and one for all tenancies, is presumably intended to help phase the undertaking of necessary upgrade work to properties – but in reality it may not be very helpful. In our representations with regard to the provisions of the Renters Rights Bill we have expressed concern that some landlords will be looking to give tenants notice now, before the Bill becomes law, in order to raise rents for new tenants. Given that one of the permitted grounds for giving tenants notice under the new legislation is that that landlord wishes/needs to have energy improvement work carried out on the property – it seems quite likely that a number of tenants will find themselves being given notice – and having to find alternative accommodation. Where the remedial/retrofit work is expected to take a few weeks – it seems harsh that tenants could find themselves in this situation – and it could be very disruptive for families with children at local schools if they are unable to find alternative suitable rental property. Some landlords might, similarly be reluctant to give good tenants notice for such a reason. Presumably local authorities would bear some responsibility for finding temporary housing for tenants who were in receipt of Universal Credit/housing benefit – but that assurance would not be available to private renters. Should there not be some recognition of the potential temporary upheaval that may be caused to some tenants (where the extent of the necessary work would render the property uninhabitable for a short period) and some financial assistance with temporary accommodation, where that is deemed essential, provided?

8. Do you agree with government's proposal that, as an EPC reform transition measure, landlords should be able to demonstrate their properties are compliant with the existing standard of EPC E using their past EPC?

Yes. Further – rather than requiring landlords to meet the new EPC requirements when a new tenancy is entered into, we think it would be simpler to adopt a single target date by which all properties would need to meet the new requirements. As stated above, we consider that such a new target should be considerably later than 2030.

9. Do you agree properties that have an EPC rating of C against the EER on EPCs before 2026 should be recognised as compliant with the future standard until their EPC expires or is replaced?

Yes. Landlords who have already invested in upgrading their properties should not be required to undertake further work during the period for which their current EPC is valid. To impose such a requirement would unfairly penalise landlords who have taken early action. It would also be an inefficient use of limited resources, amongst which must be included qualified assessors: properties which have already been partially upgraded should, by definition, not need as much remedial work as those which have to date had no improvements made. Surely it

makes sense to concentrate on those needing the most work before requiring those which have already been subject to some work to have more done?

10. Do you agree with government's proposal to require landlords to commission a new EPC before taking action to comply with higher MEES?

10.1. Should the cost of this new EPC be included within the cost cap?

10.2. Should landlords still be required to commission post-improvement EPCs? If yes, should the cost of the post-improvement EPC also be included within the cost cap?

Yes. It makes sense that where a landlord is taking action to comply with higher MEES, this should be done on the basis of an accurate EPC, and the cost should be included within the cost cap.

(10.2) However, the question of whether landlords should be required to commission additional post-improvement EPCs may depend on timing: is this intended to apply only once the reviewed EPC assessment is agreed and in place? Also, does "commissioning a post-improvements EPC" necessarily require another inspection and assessment to take place? Surely it would be possible to add notes to the existing EPC evidencing what improvements had taken place, and therefore making appropriate assumptions about what impact these would have made on the previous rating?

11. Should government develop an affordability exemption? If yes, what eligibility criteria would be the most appropriate for an affordability exemption? Please indicate which, if any, of the proposed approaches you support or otherwise provide alternative suggestions.

Yes – but this question illustrates the problem created when a simplistic cash limit is applied rather than a proportionate percentage of the rental property's value. For lower-value properties, a £15k limit could represent a very significant disincentive for some landlords – but applying an affordability exemption could leave some lower value properties in poor condition with little prospect of effective remediation. As suggested in our response to Q5, we think it would be more practical to link the cash limit to the value of the property.

12. Should government apply the PRS MEES Regulations to short-term lets? Please explain your answer.

Yes. The consultation paper is absolutely right to identify that a failure to apply the regulations to short-term lets would only encourage some landlords to exit the PRS and let their properties on a short-term basis. This would remove valuable stock from the PRS at a time when demand already significantly outstrips supply, creating more pressure for tenants chasing the properties which are available for rent.

13. What actions could government take, including changes to the law to encourage or require smart meters in properties undergoing efficiency upgrades, to increase the number of smart meters installed in the PRS? Please provide your rationale and evidence for any suggestions for actions you have.

Incentivising and encouraging the installation of smart meters may be helpful in assisting tenants to use their energy more effectively, but it should not be made

mandatory, or at least not in the immediate future. Some landlords may include the cost of energy in the rent which they charge, which may lead them to make greater use of smart meters to monitor tenants' energy use. But this may not always be practical or appropriate, particularly if tenants perceive that their use of energy is being unfairly controlled or even rationed.

14. Do you think the current MEES exemptions available to landlords are suitable?

Given the problems which we believe landlords are likely to encounter in engaging suitable tradespeople to undertake the necessary work to bring their properties up to standard, we think the five-year period of validity will be unrealistic – and that it would be more practical to extend this to ten years.

14.1. Are there other circumstances, not covered by the current MEES exemptions regime, where you think government should consider making exemptions for?

While it may be the intention that listed buildings are implicitly included in the Department's 2019 Guidance on PRS exemptions and Exemptions Register evidence requirements, we think it would be helpful to include more explicit explanations of how listed buildings should be treated under the exemptions regime.

15. Do you agree with government's preferred position to keep a potential requirement on lettings agents and online property platforms under review whilst the PRS Database is being developed for properties in England?

Yes – it would be sensible to await the introduction of the PRS Data base under the new Renters' Rights legislation before imposing additional requirements or restrictions on lettings agents and property platforms.

16. Do you have any new evidence to submit regarding the topics as summarised in Chapter 2 of this consultation? Please specify which topic you are providing new evidence for.

No.

17. Is there any additional information or evidence you would like to provide on either the effectiveness of the existing PRS regulations 2015 and guidance, or interactions with other policies?

No.