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From 1 October 2008, landlords offering property for rent will be legally required to provide prospective tenants with an Energy Performance Certificate. Paragon Mortgages' EPC Guide helps landlords ensure they comply with the new law and are at the forefront of the legislation when it comes into force. As the UK's leading specialist buy-to-let lender, Paragon Mortgages is well placed to understand landlords' needs and the service levels they require.



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## FREQUENTLY ASKED QUESTIONS

### What is an EPC?

An EPC tells you how energy efficient your property is on a scale of A-G, with A being the most efficient. The certificate also tells you, on a scale of A-G, about the impact the home has on the environment. Better-rated properties should have less impact through carbon dioxide (CO2) emissions. The EPC will make recommendations about how a property's energy efficiency can be improved, in addition to a potential rating if the recommended work is carried out. The average property is rated D or E.

### What is the benefit to me, the landlord?

Prospective tenants will be able to see at a glance how energy efficient and environmentally friendly the properties they are considering renting are and will be able to make direct comparisons between those properties. If you have invested in energy saving measures your properties will perform well and stand out from the crowd. If not, you may find them harder to rent out in future.

### Do I need an EPC if I have an existing tenant?

If you have an existing tenant you will not be required to obtain an EPC until that tenant leaves and the property is re-let.

However, it is recommended, especially if you have a reasonably high turnover of tenants, that you don't wait until you have a vacancy but get an EPC in place before 1 October.

### Is there a limited time in which recommendations have to be carried out?

No, the recommendations can be carried out at any time but until they are completed and a new energy assessment is carried out the energy rating will not change.

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### How long is an EPC valid for?

An EPC is valid for 10 years, except where a property is being sold and a Home Information Pack is required. If you hold a valid EPC you will not be required to obtain a new certificate every time you re-let a property. Where improvements have been undertaken to a property, you may order a new EPC to reflect the new improved energy efficiency of the property.

### How do I obtain an EPC?

EPCs can only be obtained from a qualified Domestic Energy Assessor (DEA). The DEA must be a member of an accreditation scheme approved by the Government. Visit [www.paragon-epcs.co.uk](http://www.paragon-epcs.co.uk) for details on how to obtain an EPC.

### How much will they cost?

It is currently estimated that it will cost around £100 to arrange for a qualified DEA to visit a property, assess and produce a report.

### How long does an EPC assessment take?

This will depend on the size and condition of the property, but it should take no longer than an hour.

### What is the penalty for not obtaining an EPC?

There is a £200 fine for non-compliance and you cannot market the property until an EPC is obtained. If you are fined, you must still obtain an EPC or you could be liable for further fines.

### Can I charge the tenant for the EPC?

No, all costs must be covered by you. However, you should factor the cost into your business plan and ensure you offset it against your rental income for tax purposes.

### I rent out bedsits within a single building. Do I require EPCs for individual rooms?

Assuming the property operates from a single heating unit, then one EPC should cover the building, but individual circumstances vary so it is worth checking with the Communities and Local Government department, at [www.communities.gov.uk](http://www.communities.gov.uk)

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### Why is the Government implementing this?

The Government believes that nearly 50% of the UK's energy consumption arises from the way our buildings are lit, heated and used. The Government has committed to reducing carbon emissions and sees reducing energy consumption relating to buildings as a key component of that.

### Do I have to carry out the EPC recommendations?

No, you are under no obligation to carry out the recommendations made.

### What buildings will be exempt from providing EPCs?

Places of worship, stand-alone buildings of less than 50 square metres (except for dwellings), temporary buildings with a planned time of use of two years or less, particular buildings with low energy demand (eg barns). An EPC is not required for any off-plan sales or lettings before the construction of the building has been completed.

### Will it make a difference if I use energy saving light bulbs or turn the heating down?

Within the EPC there are recommendations about how

a property's energy efficiency can be improved. This information can be used to cut fuel bills, improve the energy performance of the property and help cut carbon emissions. Turning down the heating may reduce the fuel bills, but will not impact the energy rating of the property. This can only be achieved by installing a more efficient boiler and thermostatically controlled heating system. Using energy saving light bulbs does have an impact on the energy rating and efficiency.

### Is an EPC the same as a Home Information Pack?

No, a Home Information Pack has been a legal requirement for all homes put up for sale since 14 December 2007, no matter what size. This pack does include an EPC, but also contains a number of other documents. The Government legislation that comes into force from 1st October 2008 only covers the requirement for all rental properties to have a valid EPC.

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### I have a building that contains three flats with separate heating systems. Do I need three different EPC's?

An EPC should be made available for each part of a building that is being offered separately for sale or let. The EPC should reflect the services in those parts being offered for let.

### Will the EPC need to be displayed in the property?

No, but the EPC must be made available, free of charge, to a prospective tenant at the earliest opportunity and no later than:

- when any written information about the building is provided in response to a request for information received from the prospective tenant, or
- when a viewing is conducted, or
- before entering into a contract

### Are EPCs required throughout the UK?

EPCs currently only apply in England and Wales.

### Do all types of rented properties need an EPC?

Yes, all properties which are let for residential purposes require an EPC with the exception of:

- Property that is sold with a sitting tenant (ie no vacant possession)
- A portfolio of properties sold to an individual purchaser (eg a block of flats sold to one purchaser)
- Business (commercial) property (eg a factory or warehouse) - a different type of EPC is required for these
- Semi-commercial property (eg a flat above a shop) - a different type of EPC is required for these
- Leased property with less than 21 years remaining on the lease
- Mobile / static homes
- Property that has been given permission to be demolished (eg unsafe)
- Property that has restricted use (ie seasonal/holiday accommodation)



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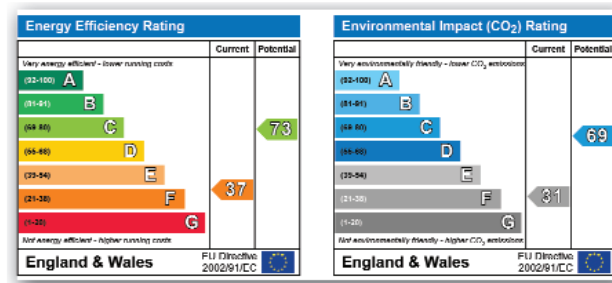
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## WHAT DOES AN EPC LOOK LIKE?



EPC Certificate

Similar to the energy labels found on domestic appliances, such as fridges and washing machines, the EPC is presented on an A to G scale, with A being classed as the most energy efficient. The rating will show the current levels of energy efficiency and environmental impact and the potential levels if you carry out the DEA's recommendations.

The Summary rates the key components of your home which affect energy efficiency as either Very Good, Good, Average, Poor or Very Poor.

The Recommendation sheet advises you on measures you can take to improve the energy efficiency and environmental impact of your property, in addition to the annual cost savings which could be generated.

| Recommendations  |                          |                                       |                      |
|--|--------------------------|---------------------------------------|----------------------|
| The measures below are cost effective. The performance ratings after improvement listed below are cumulative, that is they assume the improvements have been installed in the order that they appear in the table. |                          |                                       |                      |
| Lower cost measures (up to £500)   | Typical savings per year | Performance ratings after improvement |                      |
|  |                          | Energy efficiency                     | Environmental impact |
| 1 Cavity wall insulation   | £411                     | C 53                                  | C 48                 |
| 2 Low energy lighting for all fixed outlets  | £11                      | E 53                                  | E 48                 |
| Sub total  | £422                     |                                       |                      |
| Higher cost measures (over £500)   |                          |                                       |                      |
| 3 Hot water cylinder thermostat  | £102                     | D 58                                  | F 61                 |
| 4 Replace boiler with Band A condensing boiler   | £323                     | C 73                                  | C 69                 |
| Total  | £847                     |                                       |                      |
| Potential energy efficiency rating   |                          | C 73                                  |                      |
| Potential environmental impact (CO <sub>2</sub> ) rating   |                          | C 69                                  |                      |

Recommendation Sheet



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## FINANCIAL ASSISTANCE FOR ENERGY IMPROVEMENTS

There are several schemes offering landlords financial assistance in improving the energy performance of a property. These include:

### The Landlord Energy Saving Allowance (LESA)

The LESA was introduced by the Government in 2004 and allows private and corporate landlords, who pay income tax, to claim back up to £1,500 per property for the installation of energy saving measures, including loft, cavity wall, floor, hot water system and solid wall insulation, as well as draft proofing. The scheme applies per property, rather than per building, so a house converted into four flats would be able to claim up to £6,000. However, the allowance does not cover holiday lets or resident landlords.

To claim the relief, you must include the expenditure as a deduction in your self-assessment tax return. For more information, you should visit HM Revenue & Customs at [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

### Warm Front

Grants of up to £2,700 are available to tenants of private landlords, if they are in receipt of certain benefits, to make insulation and heating improvements to a property. The landlord doesn't have to make any financial contribution, only give permission to their tenants for the work to be carried out on the property. The tenant must apply for the grant and a Warm Front assessor will visit the property to suggest which improvements should be made. People entitled to the grant include householders aged 60 or over in receipt of income support, council tax benefit, housing benefit, job seekers allowance or pension benefit, and householders with a child under 16 also in receipt of the same benefits. For a full list of the type of tenant eligible for the grant visit [www.warmfront.co.uk](http://www.warmfront.co.uk) This scheme is only available for households in England.

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## Local council benefits and grants

Local authorities and councils in the UK offer a range of different grants and financial assistance to landlords to help them improve the energy performance of their property, but the level of assistance differs from council to council. To check what grants landlords are entitled to from their local authority, you should call the Energy Efficiency Advice Centre, a service funded by both the Government and the Energy Saving Trust, on 0800 512 012.

## Energy Supplier Grants

Energy companies offer subsidised rates on insulation and certain grants to their customers. Many of these grants are available to customers who rent a property as well as homeowners, so tenants could be entitled to discounts on measures such as cavity and loft insulation. The Energy Saving Trust, [www.energysavingtrust.org](http://www.energysavingtrust.org) has the full range of grants and subsidies available to energy customers.

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## TOP TIPS FOR IMPROVING ENERGY EFFICIENCY

There are a number of measures you can take to improve the energy performance of your property. These include:

- Insulating your property properly is the most cost effective measure you can take. In most cases, cavity wall insulation is straightforward and inexpensive. Installing new loft insulation in most properties is an easy DIY job and should be done to a depth of 270mm
- If your boiler is over 15 years old, it's probably time to replace it and you'll get a better rating if you combine it with more modern controls. If you need to save space, buy a combi boiler, which does not store hot water in a tank, but heats hot water directly from the cold water mains as it is used
- If the property has a hot water cylinder, it should be set at 60°C. Any more is wasteful
- Fit a hot water tank jacket
- While double glazing can be fairly expensive, it will reduce noise and lower heating bills

- When purchasing new appliances look out for the Energy Saving Recommended Logo and choose the most energy efficient in their category
- Replace the light bulbs with energy efficient ones. Over its lifetime, one bulb can reduce your lighting costs by up to £60 and will last 10 times longer
- Fix dripping taps as soon as you can. One hot water tap can waste the same amount of water in a week as a hot bath



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Mortgage Trust is one of the UK's leading providers of residential buy-to-let mortgages, offering a bespoke, dedicated and personal service.

Mortgage Trust has been at the forefront of the growth in the buy-to-let market, introducing its first specifically targeted residential investment mortgage in 1995.

Our long standing reputation in the buy-to-let market makes Mortgage Trust the first point of call for professional property investors that demand a service tailored specifically to their business needs.

Contact number: 01372 737600

[www.mortgage trust.co.uk](http://www.mortgage trust.co.uk)

EPC service available to all customers from 1st July 2008.

[www.mortgage trust-epcs.co.uk](http://www.mortgage trust-epcs.co.uk)

The information provided in this guide is designed to keep readers abreast of current developments with regard to EPCs and is believed to be correct at the time of publication. No liability is accepted for any errors or omissions made.

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