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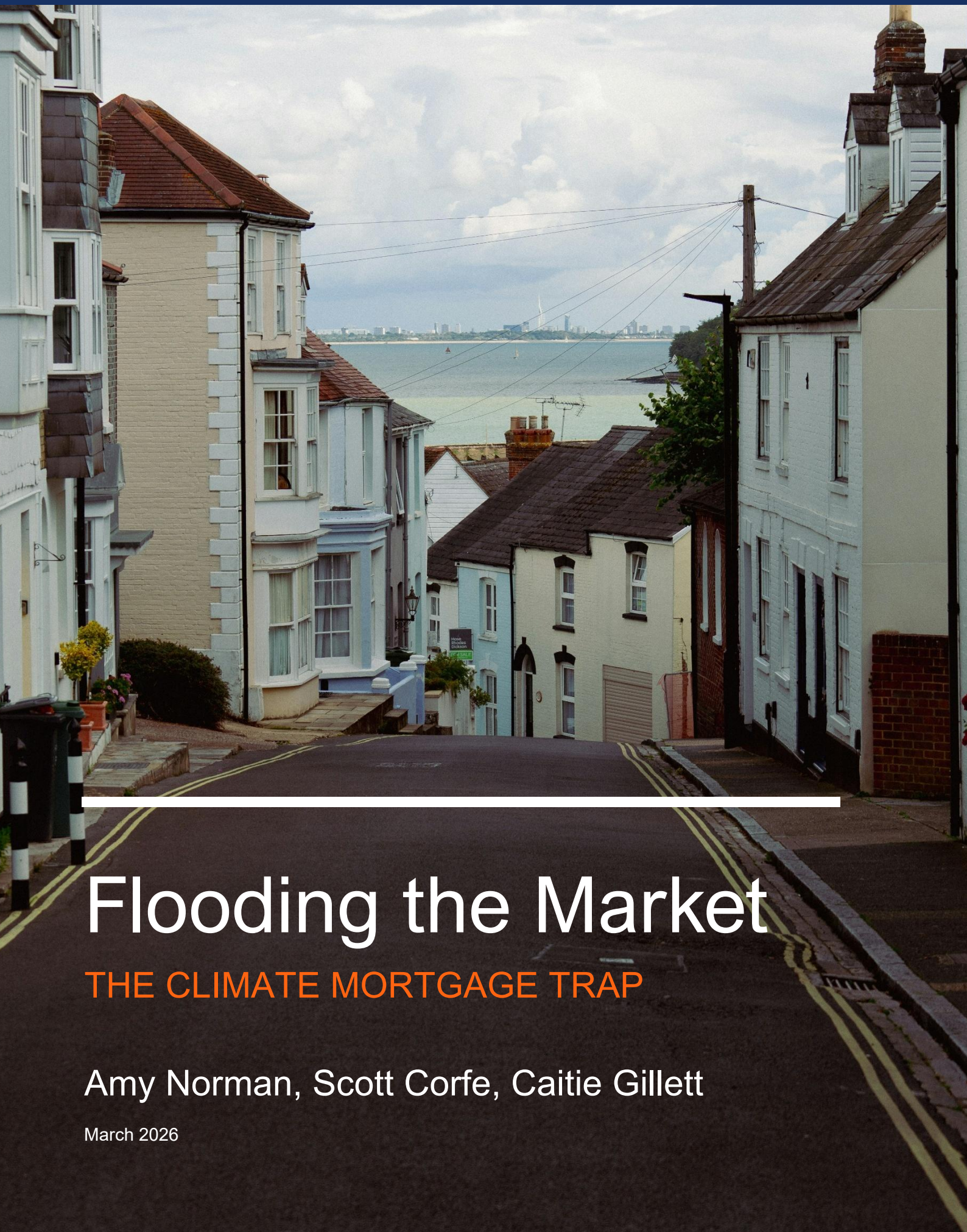

Flooding the Market

THE CLIMATE MORTGAGE TRAP

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Executive summary

Britain's housing market is on uncertain ground; climate change is reshaping what it means to own a home in the UK. From flooding to subsidence, climate risk is not a distant environmental concern, but an urgent near-term financial cost. New research from Public First reveals how the growing threat of property damage from physical climate risks, rising insurance premiums, and lender caution could combine to lock at-risk homeowners into unsellable and hard-to-mortgage homes. In some cases, this could lead to higher mortgage costs, effectively turning them into climate mortgage prisoners. This could, in turn, further constrain the UK's already limited housing supply as fewer homes would be eligible for a mortgage, while existing homeowners would face higher monthly mortgage payments, as they would be unable to switch to more preferential rates. This report draws on new economic analysis and expert stakeholder interviews to reveal how current vulnerabilities in the housing market will impact household finances and lender mortgage books.

Lenders require home buyers to have insurance when they first take out mortgages to safeguard the long-term value of the home from physical damage. More frequent flood events will require insurers to pay out greater sums of money, which could lead them to raise premiums or not renew coverage altogether. Homeowners who are incapable of switching to a new mortgage provider or finding a lower interest rate would effectively become 'trapped', paying additional interest payments as they are stuck on the standard variable rate. These homeowners could face paying thousands to cover the costs of storm damage to their uninsured homes, which are, by definition, at a higher risk of flooding. These properties would also be difficult to sell, given that they cannot be mortgaged or remortgaged easily, if at all, and are unappealing to outright cash buyers. The result could be almost half a million households imprisoned by flood exposure: enough to fill the city of Birmingham.

In 2024, the Environment Agency found that by 2050, the number of homes at risk of flooding in England could rise to one in four, or around eight million. Public First research has found that 430,000 of these properties could be mortgage-holding and become uninsurable or prohibitively expensive to insure (above £8,000 per year in 2025 prices) due to high river, sea, and surface flood risk. Of that figure, 116,000 mortgaged homes are at very high risk of river and coastal flooding and are more likely to face acute challenges around insurability, affordability of cover, and saleability, particularly where risks are severe and repeated. This figure excludes uninsurable homes that are owned outright; however, if brought onto the market, these properties would also be difficult for buyers to secure a mortgage on.

Climate mortgage prisoners could face significant financial risks

Looking ahead, the pressures of increasing flood risk and reduced insurance availability could have various financial impacts on at-risk homeowners, including the creation of climate mortgage prisoners. These costs could include:

1. Higher mortgage costs due to standard variable rates (SVR) of interest, if at-risk homeowners cannot access competitive mortgage offers, creating climate mortgage prisoners. At the time of writing, this could be around 7%, compared to the average competitive rate of around 4%.

2. These same households also bear significant costs of as much as £45,000 to make their homes liveable after a storm due to the nature of their climate exposure, while being uninsured.

3. If flood-risk homes become difficult to mortgage, the total value of a property in the highest-risk areas could drop by over 20%, and in safer areas, Public First modelling suggests, house prices could rise by as much as 8% (£34,000). A large-scale inability to secure fixed-term mortgages for flood-risk properties would be unprecedented, meaning its exact impact is unknown, but there are parallels in the housing market. For example, where mortgages are harder to obtain for short leasehold properties (under 70 years remaining on the lease), prices have fallen by around 20%. A price impact due to flood risk of this magnitude is therefore not implausible. For many, that would mean being trapped: unable to sell, remortgage, or relocate. It would also make the UK's already limited housing supply even more competitive.

If many homeowners in a community became climate mortgage prisoners, it could disrupt the flow of lending, creating a localised "credit crunch", and add pressure on financial services. This is because homeowners may not be offered favourable fixed mortgage rates, increasing the likelihood that they are unable to sell or default, as repayment rates rise. An increased likelihood of defaults, longer selling periods, and depressed selling prices would make lending less profitable for banks, making them more vulnerable to other financial shocks, such as geopolitical crises. An immediate, market-wide shock is possible, but unlikely. Instead, pressures are more likely to accumulate gradually as fixed-rate mortgage deals expire. The risk would increase further if FloodRe closes without a credible contingency plan and limited progress is made to reduce the overall flood risk in high-risk areas.

Climate mortgage prisoners threaten the stability of the housing market

The emergence of tens of thousands of climate mortgage prisoners would not only harm individual households but could also destabilise the housing market. Generally, evidence indicates that mortgage prisoners today are up to 40% more likely to default on repayments, leading to potential losses for lenders and reduced investor confidence.

Inability to secure a mortgage on flood risk properties on a large scale would be an unprecedented scenario. As such, the impact on property prices is hard to establish with complete certainty. However, parallels with other housing market events that limit access to mortgages may offer useful insight. For example, leasehold properties with short leases (less than 70 years) are similarly difficult to secure mortgages on and often see price declines of over 20% as a result. A fall in house prices of this magnitude therefore does not seem implausible if flooding hinders mortgageability.

Climate risk is not specific to individual homes - it affects communities and regions more widely. The direct physical impacts of climate change will be geographically concentrated, with some areas facing severe disruption that could leave entire neighbourhoods impoverished and/or abandoned.

Public First's analysis of government flood data shows that the constituency of Boston and Skegness poses the greatest risk of becoming the climate mortgage prisoner capital of England, with 8,600 mortgaged homes at high flood risk by 2050. The remaining top ten, in order of highest risk are Thurrock (7,700 mortgaged homes), Goole and Pocklington (6,900), South Basildon and East Thurrock (5,100), Bootle (4,200), Sefton Central (4,200), Louth and Horncastle (4,100), Southport (3,600), Hastings and Rye (3,300) and Rayleigh and Wickford (3,200).

Given that household wealth varies by area, climate mortgage prisoners within these at-risk constituencies will differ in their ability to meet any additional payment costs. Public First's analysis suggests that for a climate mortgage prisoner in Rayleigh and Wickford, additional interest costs represents the highest share of disposable income (12.5%) across at-risk constituencies. Even in Bootle, where mortgaged properties face a high flood risk and the total mortgage value is the lowest among the top ten constituencies for potential climate mortgage prisoners, a household could spend an extra 6.8% of their income on mortgage repayments if paying the standard variable rate.

Meanwhile, even communities whose homes are not impacted directly by climate risk will feel the effects. As properties in high-risk areas lose value or become unsellable, the UK's available housing supply will effectively contract. Greater competition for a smaller supply of homes at low or no risk of climate impacts will drive the price of those homes higher. Public First's modelling suggests that house prices in safer regions could rise by as much as 8% (£34,000), making home ownership even more competitive and unattainable for many young people and families looking to get on the housing ladder.

Pressure on insurance affordability could accelerate housing market risks

This report highlights a critical, often overlooked point: insurance is the fault line of Britain's housing market. Mortgage lending relies on insurance to safeguard the long-term value of homes by ensuring physical damage can be repaired and by acting as a market signal of risk. As climate change increases the likelihood of property damage, the balance between these financial markets is threatened.

In 2024, UK property insurance payouts hit a record £5.5 billion, with nearly a quarter driven by floods and storms. Insurers are increasing their premiums to meet these costs, with average combined household premiums rising by 30%, from £300 in 2022 to £395 in 2024. While Public First's analysis on climate mortgage prisoners examines the situation in 2050, impacts across the mortgage market could be felt far sooner.

The existing industry initiative to provide affordable flood insurance cover to at-risk homes (FloodRe) is due to end in 2039. After that, insurance prices will be risk-reflective again, which is unlikely to be affordable for many. The current estimate of an annual policy for FloodRe-eligible homes is as much as £10,000. Given the nature of 25-35-year mortgages, which are fixed for three to five years, lenders will manage their own exposure to a risk-reflective market from at least the end of this parliament. Although lenders will have different approaches to risk, whereby some will already not offer mortgages on properties with a high risk of flooding due to the associated risk of lending against them over a 25-35 year period. This means that while Public First focuses its analysis on mortgage holders in, the wider impacts are already emerging.

Three-quarters of England's mortgage debt is exposed to above-average climate risks

New Public First analysis shows that the total value of outstanding mortgage debt in England is heavily concentrated (76%) in constituencies facing above-average vulnerability to flooding and/or extreme heat risks. This is due to the concentration of mortgage debt in London and the South East, which face flooding risks from rivers, seas and surface – where urban areas are unable to drain quickly enough – as well as higher temperatures, which are also more common in urban areas. This presents a challenge for lenders and policymakers alike: the areas responsible for the most housing wealth are also those most at risk from a changing climate. This report's analysis specifically focuses on flooding, where the knowledge about the financial implications is most advanced. Unlike the concentration of mortgage debt, the areas where the most homeowners are at high risk of flooding are spread across five of the nine regions in England.

Experts warn that the market faces a looming deadline

Experts from across the mortgage, insurance, and housing sectors warned that climate risks are increasing faster than efforts to manage them. Despite more recent record funding pledges, years of historic underinvestment mean many flood defences are deteriorating faster than they can be replaced, and only around 1% of budgets go to natural solutions like wetlands or sustainable drainage, which absorb and store water as opposed to relocating it. The government's new funding formula puts more emphasis on smaller, rural and nature-based projects, but results will take time. Meanwhile, evidence suggests that new homes continue to be built in flood-prone areas as local authorities balance housing shortages against climate risk.

At a household level, a lack of awareness remains a major barrier to flood preparedness. Nearly half of homeowners have never checked their flood risk, and experts told us that many avoid the issue for fear of the impact on their property's value. Few are willing to install, able to pay for, or are aware of potential

resilience upgrades, so schemes like FloodRe's Build Back Better and green mortgages have seen limited uptake. Therefore, the government must follow through on the Bonfield Review recommendation to build a market for property-level flood resilience (PFR) measures, particularly in the highest-risk areas.

Developing a market for PFR will be a long and complex process, where homeowners will need to be informed about the risk to their property and possible mitigation measures. However, as insurers and lenders rely on incomplete data that is too broad to reflect individual property changes, improvements rarely lead to lower insurance premiums or better mortgage terms, which is the focus of this report. We have therefore prioritised near-term market levers, including FloodRe's planned Flood Performance Certificates (FPCs), which are due to be trialled in the second half of 2026, and following the Bonfield recommendation, rolled out market-wide in the next five years.

These gaps directly affect the development of green finance. Green mortgages are still a niche product and primarily support energy-efficiency improvements. Experts noted that, while this remains important, these products currently do little to address the risks most likely to threaten mortgage availability - namely, increasing flood exposure and the rising cost of insurance. Without clearer product standards, better information for brokers, and more consistent rules for affordability assessments, green mortgages will struggle to grow or play a meaningful role in managing climate risk. Experts were clear that premature expansion to include resilience measures would be counterproductive; the priority is to build a stable foundation for the market first.

The most pressing issue is the approaching end of FloodRe in 2039. Without clarity on the scheme's future, lenders may begin restricting lending in high-risk areas well before then, potentially by the end of this parliament. This could accelerate the risk of climate mortgage prisoners and reduce housing market liquidity in exposed communities.

Taken together, the picture that emerges is one of increasing risk and diminishing capacity to manage it, although this is not inevitable. By working with industry and regulators, the government could set out measures to maintain the stability of the banking sector and maintain the flow of lending while ensuring homes are better protected and less polluting, providing a secure investment for British families.

RECOMMENDATIONS

Inform homeowners about the known climate risks to their property

1. **Mandate Flood Performance Certificates (FPCs), then expand to Resilience Performance Certificates (RPCs) to build a market for property-level flood resilience (PFR) measures in high-risk areas.** Similar to Energy Performance Certificates, FPCs and RPCs would show the risk to a property and how to reduce it. FloodRe plans to trial FPCs within the next year, and the Bonfield Review recommended a market-wide rollout within five years. After FPCs launch, the Ministry of Housing, Communities, and Local Government should extend it to RPCs. FPCs and RPCs would then be trusted by insurers and lenders to indicate which properties had been retrofitted against climate risks.
2. **Require insurers and lenders to clearly disclose when a property depends on FloodRe.** Insurers should provide a warning on page one of policy schedules and confirmation emails, so households can plan for higher future premiums and invest in resilience earlier, rather than in the terms and conditions where it can be overlooked.

Clarify the future of insurance and the green mortgages market to support creating resilient homes

3. **Confirm FloodRe's future by the end of this parliament.** This gives insurers and lenders certainty ahead of the 2039 closure, and avoids a cliff-edge where high-risk homes become uninsurable and unmortgageable. The 2028 transition plan must give clear instructions on how to reach a clear decision by 2029.
4. **Provide clearer standards for green mortgages and eligibility.** By working with industry, the FCA should consider requiring consistent product names and requiring lenders and brokers to use simple and transparent eligibility criteria. This would ensure that products comply with greenwashing rules and consumers can easily compare green mortgages with other products.
5. **Enable more accurate pricing of green mortgages.** The FCA and PRA should clarify how lenders may factor verified energy or resilience improvements into affordability assessments and risk calculations.
6. **Build demand for resilience finance.** Rolling out resilience certificates, improving risk information, and boosting green mortgage uptake for energy efficiency will prepare the market for future 'resilience mortgages'.

Reduce the overall climate risk to communities and homes

7. **Strengthen building and planning regulations to support flood resilience measures in new housing developments.** Introducing resilience measures as standard in newbuilds could help to balance the need to meet the government's target of building 1.5 million homes, while also protecting households from rising flood risk. For example, enacting Schedule 3 of the Flood and Water Management Act 2010, which would require sustainable urban drainage systems (SuDS) in all new developments, would reduce surface water flooding and help to attract private investment into local water management. Additionally,

the government should consider updating building regulations to include low-cost property flood resilience (PFR) measures for new builds in high-risk areas.

8. **Ahead of National Adaptation Programme (NAP) 4, ensure that adaptation is integrated across relevant government policy objectives - such as bringing together natural flood management and farming policy.** The Climate Change Committee (CCC) analysis found that the UK's approach to adaptation, via the NAP process, has been insufficient. The current Labour government has now committed to introducing new resilience standards for 14 critical infrastructure sectors, led by the Cabinet Office. Progress on what these standards will look like and what they will mean for non-critical infrastructure (such as housing) remains to be seen. Effective cross-departmental collaboration must be employed here, ahead of the NAP4, due in 2028, to make both these standards and wider adaptation policy a success. To protect households and properties from risks, such as flooding, adaptation must be considered and integrated across wider government policy decisions and funding. For example, simplifying the rules for farmers to stack public and private funding could achieve the dual aims of enabling biodiversity net gain and nutrient neutrality, while also improving natural flood management.

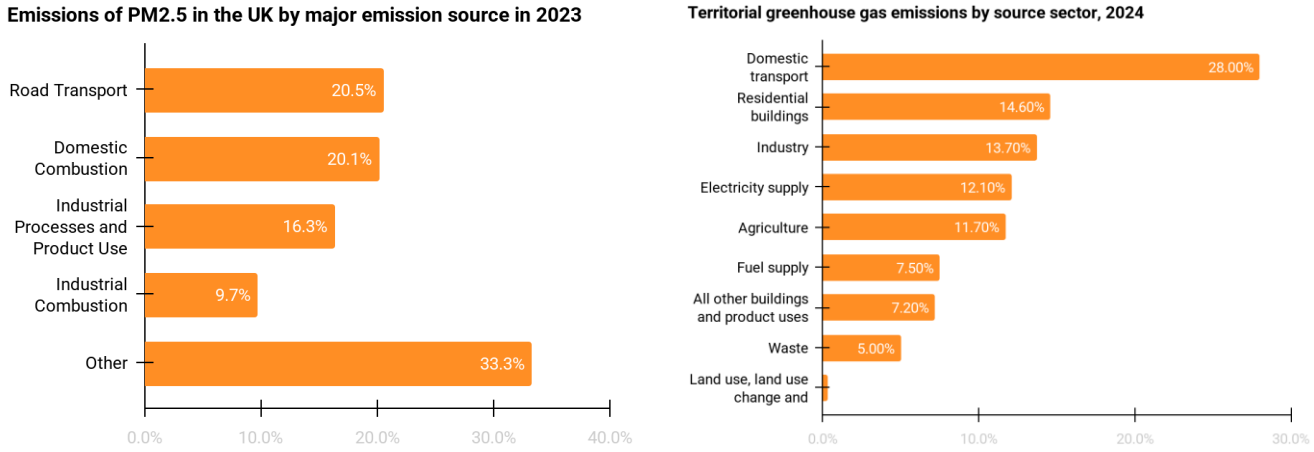
1. Climate and the home

The UK housing stock faces two major climate challenges. Homes contribute to greenhouse gas emissions and harmful levels of air pollution, and they are not well-adapted to growing climate risks. The latter is the focus of this report.

Millions of homes are draughty, polluting, and expensive to heat

In 2023, UK homes produced around 20% of fine particulate matter (PM2.5), the most harmful air pollutant to human health, and 14.6% of the country's greenhouse gas emissions.[1,2] The major source of pollution is 'domestic combustion', which includes emissions from wood-burning stoves, gas boilers, and gas hobs. These produce roughly twice as much air pollution as British industry processes, and more greenhouse gases than all British farming.

Figure 1: Housing is one of the UK's most polluting and emitting sources



Source: The Department for the Environment, Food, and Rural Affairs (Defra) and The Department for Net Zero and Energy Security (DESNZ)

[1] Department for Environment, Food, and Rural Affairs, *Emissions of air pollutants in the UK - particulate matter*, March 2025

[2] Department for Energy Security and Net Zero, *Provisional UK greenhouse gas emissions statistics*, March 2025

Numerous reports have detailed how millions of homes are cold and damp, causing inhabitants to experience health complications, costing the NHS billions, and exposing children to poor air quality.[3,4,5] Many others have lamented Britain's inefficient housing stock, causing millions of households to pay unnecessarily high heating costs to keep warm due to poor insulation.[6] The UK's continued reliance on natural gas for heating also exposes households to inflated energy prices, such as during the Winter 2021/22 price crisis that has kept fuel poverty rates high ever since.[7]

The Climate Change Committee (CCC) estimates that it will cost £300bn to decarbonise the UK's housing stock, 65% to 90% of which must come from private finance.[8] Investment to date is woefully inadequate. Various government attempts to kickstart the home upgrade industry have been plagued by supply chain delays, skills shortages, short-lived and disconnected policies, boom and bust funding, installation scandals, and very low consumer awareness.[9,10] The result is that little progress has been made to upgrade homes since 2015. Indeed, some 85% of homes still use a gas boiler, around 200,000 rely on fossil fuels like oil, and the average energy performance certificate (EPC) rating is considered relatively poor, at a rating of D.[11,12]

Homes are also not resilient to worsening climate risks

In addition to being major polluters, millions of homes are increasingly vulnerable to climate risks. The UK's housing stock is one of the oldest in Europe, and increasingly unsuited to current weather risks, let alone future ones. The CCC has already advised the government to prepare for a minimum of two degrees of warming given current trajectories. For the UK, that means more heatwaves, drought, flooding, storms and wildfires.[13]

The most serious and common risk is flooding, with over six million homes already at risk of river, coastal, or surface water flooding. However, other threats include the 4.5 million homes at risk of subsidence, where hotter and drier weather, punctuated by heavy rainfall, creates shrink-swell cycles that weaken the ground beneath their foundations. There are also over 15 million homes that overheat in the summer, and 8,900 properties at risk as coastlines erode at the fastest rate on record.[14]

The cost of property becoming more vulnerable to climate change is substantial. Public First's analysis found that physical damage from flooding alone already costs around £2.4 billion each year. Climate risk can also put downward pressure on house prices. Evidence from Bayes Business School found that residential properties in England with flood risk sell at an average discount of 8.14% compared to unaffected properties. Similarly, properties at risk of subsidence can fetch up to 25% below typical market

[3] Friends of the Earth, *Britain's cold homes crisis affecting nearly 10m households*, February 2024
[4] BRE Trust, *The cost of poor housing in England*, November 2021
[5] Royal College of Physicians, *A breath of fresh air*, June 2025
[6] End Fuel Poverty Coalition, *About fuel poverty*, July 2024
[7] Energy Saving Trust, *Energy Crisis Commission*, October 2025
[8] Green Finance Institute, *The Green Home Finance Road Map*, August 2025
[9] Department for Energy Security and Net Zero, *Domestic energy efficiency retrofit supply chain*, May 2025
[10] BBC News, *Tens of thousands of homes insulation under government schemes need repairs*, October 2025
[11] Ministry of Housing, Communities, and Local Government, *English Housing Survey 2023 to 2024*, May 2025
[12] Office for National Statistics, *Energy efficiency of housing in England and Wales: 2024*, October 2024
[13] Climate Change Committee, *Progress in adapting to climate change: 2025 report to Parliament*, April 2025
[14] Imperial, *Sea level rise to dramatically speed up erosion of rock coastlines by 2100*, November 2022

value.[15] These costs are already impacting the insurance market, which will be explored in the next chapter.

Recent analysis has shown that by 2050, another three million homes will be vulnerable to flooding, an additional 1.4 million will be at risk of subsidence, and coastal erosion will threaten some 32,800.[16,17] Put simply, millions of homes are not resilient enough to withstand increasingly extreme weather.

Few households currently prepare properties for climate impacts

UK progress on adaptation has been poor, as emissions reduction has generally taken priority over adaptation. Efforts to reduce emissions have generally taken priority over adapting communities and infrastructure to a changing climate. As a result, progress, including for homes, has been inadequate.[18]

Thus, efforts to make homes more resilient have lagged. For example, FloodRe's Build Back Better initiative provides £10,000 to homeowners of previously-flooded properties to install resilience measures, but it has had very low uptake - only around 4% of all at-risk homes have utilised the scheme.[19] Analysis by FloodRe and JBA found that 3.1 million homes are at risk of flood depths of up to 60cm, and that many could install preventive measures costing less than £1,000 to protect their properties. Similarly, polling by Public First found that a majority (52%) of the public felt unprepared to deal with the effects of flooding, only a quarter of homeowners were likely to install non-return valves, and only 15% would install a sump pump.[20] But, interestingly, Public First polling also found that one-third of buyers would still consider buying a property at risk of flooding.[21]

Despite the risk from more extreme weather, the lack of appetite to improve property-level resilience and varied willingness to buy vulnerable homes are unsurprising. Many densely populated areas of high demand, such as London and the South East, face a high risk from overheating and surface water or coastal flooding, but buyers still choose to move there for greater employment prospects. Additionally, lenders told us that buyers are often more concerned about factors like the proximity to good schools, family and friends, or the desirability of a neighbourhood. Even if a homeowner did install resilience measures on their property, their insurance premiums would not decrease, as there is no clear way to show that they reduce risk without FPCs.

The role of lenders in climate

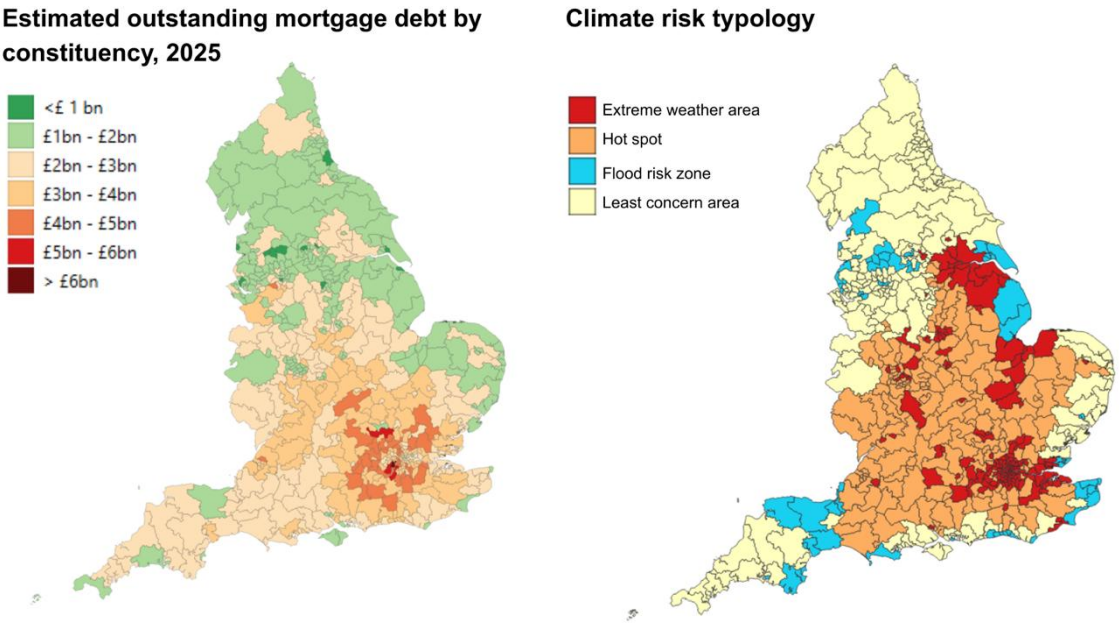
Mortgage lenders play a central role in investment in the housing market. On average, UK lenders provide 25 to 35-year mortgages, meaning they have an interest in the long-term value of the property. Climate change poses both physical and regulatory risks to the investability of homes.

[15] Home Sale Hub, *Understanding the financial implications of subsidence*, April 2025
[16] Environment Agency, *National assessment of flood and coastal erosion risk in England 2024*, January 2025
[17] Aviva, *UK's iconic landmarks at risk from climate change by 2050, according to new report*, October 2025
[18] Climate Change Committee, *Progress in adapting to climate change: 2025 report to Parliament*, April 2025
[19] FloodRe, *Flood Re demonstrates resilience amidst record number of claims*, July 2024
[20] AXA UK, *Extreme weather risks*, November 2024
[21] Public First, *Flood risk set to exacerbate housing inequality high-risk in the UK*, May 2025

Extreme weather can have a downward pressure on house prices within high-risk areas, as mortgage providers avoid lending against at-risk homes.[22] This increases competition for a more limited supply of low-risk homes, which will, in turn, make them more expensive to buy. Analysis by Public First reveals that lenders' mortgage books in England are disproportionately in areas where climate change poses a threat. This research builds on Public First's climate risk analysis for AXA UK, where we mapped the relative vulnerability to climate risks for each English constituency, by weather risk categories:

- Extreme weather areas represent constituencies where both the vulnerability to flood risk and to extreme heat risk are above the national average.
- Hot spots refer to constituencies where the vulnerability to extreme heat risk is above the national average, but the vulnerability to flood risk is below the national average.
- Flood risk zone refers to constituencies where the vulnerability to flood risk, including surface level flooding, is above the national average, but the vulnerability to extreme heat risk is below the national average.
- Least Concern Areas are constituencies that score below the national average for both vulnerability to flood risk and to extreme heat risk.

Figure 2: Mortgage debt is highest where climate risks are greatest



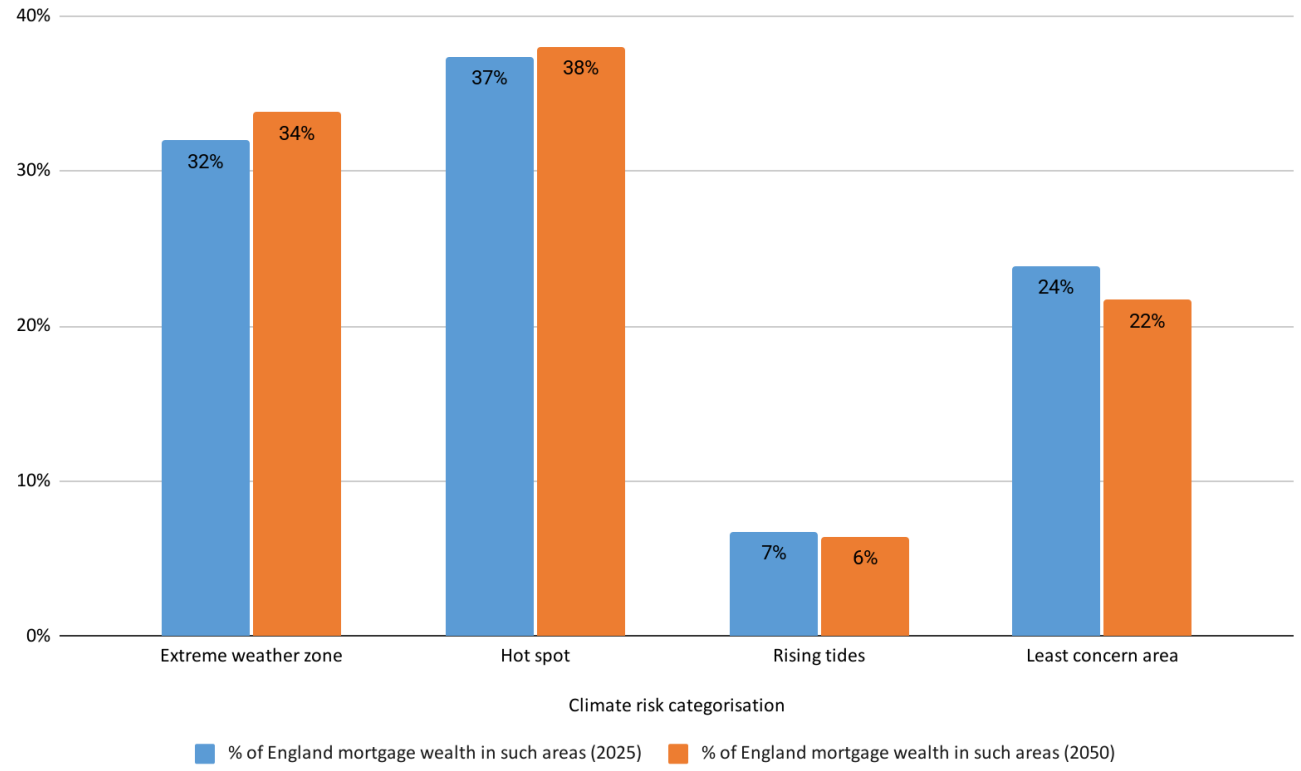
Source: Public First's analysis of Census population and tenure estimates by constituency, population projections, house prices estimates and past Public First analysis for AXA UK of local-level climate risk.

Public First's analysis finds that English mortgage debt is most likely to be concentrated in constituencies categorised as Hot Spots, followed by Extreme Weather Zones, typically concentrated around London and the South East, where house prices, and therefore mortgage debt, are reasonably higher. Mortgage exposure is lowest in Rising Tide constituencies (i.e. those with above-average flood risk, but below-average extreme heat risk), primarily in the East Midlands and North West, where property prices and mortgage debt are lower.

[22] Bank of England, *Financial Stability Report*, November 2024

Over the next 25 years, Public First's analysis indicates that population growth and overall house price projections could increase the proportion of national mortgage debt in Extreme Weather Zones and Hot Spots.

Figure 3: Rising prices and population growth will raise mortgage exposure in high-risk areas. *Distribution of England mortgage debt by constituency climate risk category.*



Source: Public First's analysis of ONS household projections, OBR house price projections and past Public First analysis for AXA UK of local-level climate risk.

Environmental commitments allow lenders to take a forward-looking approach to managing climate risks. Alongside evolving government policy, this incentivises lenders to strengthen how they assess and respond to climate-related risks. For example, future changes to energy-efficiency standards could make it harder to rent or even sell properties that have not been upgraded to a higher EPC band. Portfolios with a large share of low-efficiency homes may therefore be more exposed to long-term value pressures. Lenders may also want to show they are lending in an environmentally responsible way to secure more attractive offers from investors. Therefore, climate-proofing homes is also beneficial to lenders as long-term investors.

Climate-proofing homes - whether installing low-carbon tech, improving energy efficiency, or implementing flood prevention measures - can have high upfront costs that homeowners struggle to meet without financing options. The Green Finance Institute estimates that, given public funding constraints, between 65% and 90% of home energy efficiency funding will need to be privately financed.[23] This is where green mortgages come in.

[23] Green Finance Institute, *The Green Home Finance Roadmap*, August 2025

Green mortgages: There is no standard definition of a green mortgage - it is similar to a standard mortgage but has more favourable terms for an energy-efficient home or for making the home more efficient. Green mortgage-holders may benefit from a cheaper interest rate, cashback, or an additional borrowing allowance. Each lender will have its own terms and conditions for green mortgages.

The UK green mortgage market is nascent. While the number of green mortgage products offered by lenders rose from four in 2019 to over 60 in 2024, uptake has remained low. The Financial Times reported that green mortgages made up 11% of the UK's total available deals in August 2025, compared to 16% in August 2023.[24] Various barriers prevent homeowners from taking out a green mortgage, including low consumer awareness, a preference for using savings rather than debt to finance home upgrades, limited skills and supply chain capacity, and an inconsistent policy environment for energy efficiency.

One reason is that lenders lack clear regulatory guidance on how to incorporate energy efficiency improvements into affordability assessments and risk models. As a result, they are limited in how confidently energy bill savings or retrofit plans can be reflected in mortgage pricing, impacting the competitiveness of green mortgage products.

Lenders have made a promising commitment to use their position as investors to 'green' the housing market via green mortgages. However, because green mortgages focus on rewarding energy efficiency improvements, they do not directly reduce the climate-related risks faced by lenders, borrowers or insurers. The next chapter explores how lenders and insurers interact within the housing market and how both face growing climate risks.

[24] Financial Times, *UK lenders pull back from green mortgage market*, August 2025

2. Priced out

Homeowners already pay the price of extreme weather either directly, as highlighted in Chapter One, from physical property damage costs or indirectly through insurance premiums. This chapter explores the relationship between climate risks, home insurance, and mortgages, and the financial impact they may have on households, drawing on novel economic analysis by Public First.

Insurance and mortgage markets are inextricably linked

Mortgage lenders make substantial long-term investments in the domestic property market and rely in part on insurance to protect those investments. If an insured home is damaged, it is typically the insurer who covers much of the repair cost, helping to ensure the homeowner and lender retains the value of its property assets. For this reason, lenders require home buyers to have building insurance when a mortgage is first taken out.

Climate change threatens this balance. More frequent and severe weather, such as floods, coastal erosion, storms, and heatwaves, will require higher payouts from insurers for damage claims. In response, insurers will likely increase their premiums or stop renewing coverage altogether, depending on the level of risk in a particular area. This places a strain on mortgage lenders in the following ways:

- **On affordability:** Lenders run affordability checks as part of a mortgage application. This considers a prospective buyer's income, essential outgoings and bills, existing debt repayments, credit history, dependents, and a stress test against possible interest rate rises. Already, lenders are considering the impact energy efficiency upgrades have on affordability, as more efficient homes can have lower energy bills, reducing the cost of living. Higher insurance premiums for at-risk properties can also affect affordability, as they reduce a prospective borrower's disposable income, threatening their ability to meet mortgage repayments. It is possible that lenders would therefore become wary of issuing new mortgages or renewing existing ones in areas where climate risk could impact affordability.

- **On compliance:** It is more likely that homeowners would choose to forgo their insurance policy rather than default on their mortgage repayments. Given that proof of insurance is only required when a mortgage is first taken out, a property may become uninsured during the mortgage period. This could be because insurers do not renew coverage based on their own risk appetite, or homeowners are unable to afford increased premiums. This poses significant challenges to lenders, who may be unaware that the property has become uninsured. The property's value could be reduced in two key takeaways: homeowners may struggle to afford the cost of weather-related damages without insurance, meaning they go unrepaired, which reduces the quality of the property. Or, if insurance is unavailable, the property becomes less attractive to buyers and thus less valuable. This can trap homeowners in unsellable homes and result in financial instability.

Without insurance, mortgage lending becomes far riskier. Lenders rely on insurers to carry out repairs to the properties on their books - for example, after a storm or to fix subsidence - to maintain their value. But insurers are also reliant on lenders for surveyors' valuations to correctly price risk. Large insurers often also hold mortgage-backed assets and real estate investments in their portfolios. A major downturn in the mortgage market from defaults or falling house prices could reduce the value of those investments and weaken insurers' balance sheets. Confidence in the UK's housing stock underpins household wealth, local economies and national financial institutions. Therefore, the importance of maintaining the stability of both markets is critical and depends on managing climate risk.

Climate risks already impact insurance today

Scientific models and risk analytics can only predict so much. Climate change is ultimately a known unknown – its overall trajectory is clear but its precise local impacts and timing remain uncertain. However, it is not a distant unknown. More frequent and severe weather is already impacting the insurance market today.

In 2024, UK property insurance payouts rose to a record high of £5.5 billion, of which £1.21 billion (22%) were from weather-related claims like floods and storms.[25] This has contributed to an increase in household premiums. Between January 2022 and 2025, the average combined building and contents insurance rose by 30%, in large part due to bad weather.[26] The latest figures show insurance payouts have risen in both the frequency and cost of claims, reaching £1.6 billion, driven by more severe and frequent storms, heavy rainfall, frozen pipes, and subsidence damage.[27]

In some at-risk communities, insurance coverage is already unavailable. Last year, it was reported that flooding insurance for public buildings across Tenbury Wells was refused due to recurring floods on a near-annual basis.[28] FloodRe exists as a joint government-industry scheme providing affordable insurance coverage for properties at high risk of flooding; however, it is only available for residential properties and those built before 2009, leaving new build homes and public and commercial buildings ineligible for support.

While FloodRe's support is necessary, it artificially suppresses real price signals in the insurance market for at-risk households. Without significant progress to lower the overall flood risk that properties face, the scheme will only delay, not mitigate, the real cost to households. The next section explores this in more detail, with new economic analysis from Public First.

[25] Reinsurance News, *2024 UK property insurance payouts to hit £5.5bn, highest since 2007*, January 2025
[26] Which?, *What's happening to home insurance premiums?*, November 2025
[27] Reinsurance News, *UK property insurers paid £1.6bn in claims during Q2 driven by adverse weather: ABI*, July 2025
[28] BBC News, *Tenbury 'at risk' over floods insurance snub*, September 2025

FloodRe was introduced in 2016 as a joint initiative between the government and insurers. It aims to make household flood cover more affordable – it is not available to commercial properties. Before FloodRe, almost half (47%) of residents in high-risk areas with a recent flood claim (within five years) could not obtain a single insurance quote. For those at-risk who could obtain a quote, premiums were significantly higher than the average market price, ranging from two to 20 times as high, depending on the risk level and number of previous claims.[29]

FloodRe acts as a risk-pooling scheme by letting insurers share the cost of flood risk across the wider market. Homeowners do not apply to FloodRe themselves. When buying or renewing home insurance, the insurer checks if the property is eligible – for example, a criterion is that it must have been built before 2009. If so, insurers can pass the flood-risk and flood claims onto FloodRe behind the scenes, who pay for it via a levy on all home insurers. This enables at-risk homeowners to remain in a competitive market and shop around for quotes. However, it also limits household awareness of FloodRe, and therefore of flood risk.

It is estimated that without FloodRe, insurance premiums for high-risk areas with recent flood claims would be around £8,000-£10,000, or uninsurable, compared to current averages of £500-£750 for high-risk properties. While this shows FloodRe is working to provide affordable insurance options to at-risk households, it also raises concerns about the future of home insurance coverage. FloodRe was introduced as a temporary measure, due to end in 2039. By that time, it aims to have paved the way for a free-market approach in which insurance policy prices reflect risk, which would have been reduced through wider policy efforts in the meantime. However, FloodRe has inadvertently constrained competition within the insurance market by guaranteeing cover for the highest-risk properties, thereby limiting insurers' incentives to price risk more accurately or develop market-led risk-reduction solutions. This includes reduced incentives for homeowners to invest in property-level flood resilience, as well as the slower development of innovative products or financing mechanisms linked to risk mitigation. As flood risk has continued to increase since the scheme's introduction in 2016, the transition back to risk-reflective pricing is likely to place significant pressure on some household finances.

Future flood risk could lead to 430,000 climate mortgage prisoners

While climate change poses various threats to homes, this analysis focuses on flooding, where modelling and evidence on financial impacts are currently most advanced. Public First estimates that without significant progress in lowering flood risk, mortgaged properties already at high risk of river and sea flooding could become uninsurable or prohibitively expensive to insure by 2050.[30] The Bank of England states that as a result, UK households in regions most exposed to physical risk would face challenges re-mortgaging their properties. Public First estimates that by 2050, this could be a reality for 430,000 mortgage-holding homeowners, creating the risk of future climate mortgage prisoners.

The Bank of England's worst-case scenario analysis on the impact of climate risks more broadly estimated that two million homes could become uninsurable. Its analysis includes a mixture of rental, mortgaged and non-mortgaged homes across the UK.[31] By comparison, Public First's analysis focuses on English mortgage-holders, who represent around a quarter of the overall UK housing market, which is relative to the Bank of England's figure.

[29] FloodRe, *Research Brief: Insurance Affordability – Before Flood Re until 2025*, May 2025
[30] 'Most at risk properties' is measured as >3% risk, in line with sector categorisations.
[31] Bank of England, *2021 Climate Biennial Exploratory Scenario (CBES)*, May 2022

"Mortgage prisoners" are borrowers who cannot switch to a better mortgage deal (i.e. lower interest rate) or a different provider. Borrowers effectively become "trapped", paying additional interest payments as they are stuck on the standard variable rate. These homeowners cannot easily sell to prospective buyers because the properties cannot be mortgaged, and they are unappealing to outright cash buyers.

This can happen for various reasons. For example, a change in a borrower's personal circumstances (a drop in income, self-employment, illness, or divorce) may make them appear more risky and therefore less likely to be approved for a new mortgage loan. If a property value falls below the outstanding mortgage balance, pushing a borrower into negative equity, they may struggle to find a new lender or a good deal.

Most politicians and policymakers associate mortgage prisoners with after the 2008 global financial crash, which prompted regulators to tighten lending criteria in 2014. In this case, homeowners cannot leave their current mortgage because their provider collapsed (i.e. Northern Rock) and sold their mortgage book to another firm, where the borrower does not meet stricter lending rules. The FCA estimates there are 47,000 mortgage prisoners, who, despite being up to date with their payments, cannot switch.[32]

This report focuses on a nascent type of mortgage prisoner: a climate one. In this report, a "climate mortgage prisoner" refers to a homeowner who is unable to access mortgage offers from other lenders, renew a fixed offer from their current lender or sell without making a significant financial loss, due to the financial impact of the property being at high risk of flooding – but it could also be from coastal erosion, storms, subsidence, or wildfires. In these instances, a homeowner could then be subject to paying a higher standard variable rate of interest.

There is uncertainty around if and when this tipping point in insurability may occur, and what its impacts might be. The future of FloodRe adds to this uncertainty. If the return to risk-reflective insurance premiums are too expensive for at-risk mortgage holders to pay, more households could face adverse mortgage conditions from 2039, if not earlier. Given the nature of 25 to 35-year mortgages, which are fixed on interest rate offers for three to five years, lenders are already closely monitoring FloodRe transitional plans to manage their own exposure appropriately.

As well, lenders' varying risk appetites also remain unknown. For example, Barclays and NatWest have previously made it clear that they will grant mortgages for properties at high flood risk, provided adequate home insurance can be put in place. On the other hand, Nationwide is known to have a lower risk threshold for lending than other banks for new mortgages in high flood risk areas. In 2024, it was reported that Nationwide would decline to grant a mortgage to buy a property it deemed to be at high risk of flooding due to concerns about the associated risk of lending.[33] As a result, it is unclear how lending practices would unfold across the industry as flood risk increases.

[32] Financial Conduct Authority, *Mortgage Prisoner Review*, November 2021
[33] The Guardian, *Nationwide stops lending on some flood-risk properties*, April 2024

Looking ahead, the pressures of increasing flood risk and reduced insurance availability could have various financial impacts on homeowners. For example, these could include:

4. Higher mortgage costs due to standard variable rates (SVR) of interest, if at-risk homeowners cannot access competitive mortgage offers, creating climate mortgage prisoners – at the time of writing, this could be around 7%, compared to the average competitive rate of around 4%.

5. Significant costs to make their homes liveable after weather-induced damage, due to the nature of their climate exposure and being uninsured.

6. Reduced property values, and a loss at a point of sale, as at-risk and hard-to-insure homes become less attractive to prospective cash buyers and impossible for buyers requiring a mortgage. Depending on the size of the mortgage and how leveraged the homeowner is, reductions in property prices could lead to negative equity, leaving them owing more than their property is worth.

This also impacts lenders and the stability of the housing market more broadly. Currently, existing mortgage prisoners are up to 40% more likely to default on their repayments, inflicting losses on lenders and reducing investor confidence.[34] Falling house prices in high-risk areas would reduce the value of lenders' books while increasing competition for buyers in the already limited stock of properties not at risk in Britain.

Where could climate mortgage prisoners most likely be?

Climate risk affects communities and regions more widely. The impact of climate risk on the housing market will therefore have a localised dimension, leaving entire areas with concentrated risk vulnerable to disinvestment.

Public First's analysis of government flood data examines the number of high flood risk homes by constituency, highlighting the possible scale of hard-to-mortgage homes by 2050. The constituency of Boston and Skegness presents the greatest risk of climate mortgage prisoners, with 8,600 mortgaged homes at high flood risk by 2050.

[34] BBC News, *'I'm trapped by my mortgage – let me escape'*, November 2020

Table 1: Top 10 constituencies for highest estimated number of possible climate mortgage prisoners by 2050

	Constituency	Region	Number of high flood risk mortgaged homes in 2050*	Total value of high flood risk mortgaged homes in 2050 (2025 prices)**
1	Boston & Skegness	East Midlands	8,600	£2 billion
2	Thurrock	East of England	7,700	£3.1 billion
3	Goole & Pocklington	Yorkshire & the Humber	6,900	£1.5 billion
4	South Basildon & East Thurrock	East of England	5,100	£2.1 billion
5	Sefton Central	North West	4,200	£1.1 billion
6	Bootle	North West	4,200	£0.6 billion
7	Louth and Horncastle	East Midlands	4,100	£1.1 billion
8	Southport	North West	3,600	£0.7 billion
9	Hastings & Rye	South East	3,300	£1 billion
10	Rayleigh & Wickford	East of England	3,200	£1.5 billion

Source: *Public First's analysis of ONS household projections, OBR house price projections, Defra flood risk data, and National assessment of flood and coastal erosion risk in England 2024*

*Note: *rounded to the nearest hundred, **rounded to the nearest hundred million*

Generally, mortgage prisoners are subject to thousands more in interest payments every year

Being a mortgage prisoner does not just influence how easily a home can be bought or sold; it significantly impacts a homeowner's monthly repayment rate. Public First estimates that any type of mortgage prisoner today could, on average, be subject to an additional £4,000 in interest on their mortgage payments annually. This is because they pay a standard variable rate (SVR) of interest, which is around 7%, compared to the average competitive rate of around 4% at the time of writing. For context, the additional cost is almost as much as the average UK household spends on food and non-alcoholic drink per year (around £4,900).[35]

Mortgage-holders in communities at risk of flooding are not a homogenous group, and if faced with the threat of becoming a climate mortgage prisoner, would differ in their ability to meet any additional payment costs. For context, Table 2 demonstrates how additional interest costs, in line with today's SVR, compares with the average local disposable income.

The figures are based on average net household income at the constituency level and therefore include households across all tenures. While this means they do not provide a tenure-specific estimate, housing costs are closely linked to location, so the data remains a useful basis for comparison between constituencies. As such, these figures should be interpreted as indicative rather than precise, but they provide a robust sense of the relative impact across different at-risk communities.

The analysis suggests that a climate mortgage prisoner in Rayleigh and Wickford could see the greatest share (12.5%) of their disposable income spent on additional interest payments compared to Bootle (6.8%).

Where borrowers are unable to access more competitive mortgage products, rising costs can have compounding impacts on financial strain. Research by MoneySavingExpert and the London School of Economics (LSE) found that mortgage prisoners are up to 40% more likely to default on their repayments than other borrowers who are paying two or three times the usual mortgage rate.[36]

[35] Defra, *Family Food FYE 2024*, November 2025
[36] LSE, *Releasing the mortgage prisoners*, November 2020

Table 2: Estimated cost of additional SVR interest payments for a climate mortgage prisoner in the top 10 constituencies for the highest estimated number of climate mortgage prisoners by 2050

Rank of greatest possible climate mortgage prisoners**	Constituency	Average net household income before housing*	The difference between 4% fixed and 7% SVR interest*	% of net income on additional interest payments
1	Boston & Skegness	£26,400	£2,700	10.2%
2	Thurrock	£33,300	£3,900	11.7%
3	Goole & Pocklington	£32,600	£2,900	8.9%
4	South Basildon & East Thurrock	£33,600	£3,900	11.6%
5	Sefton Central	£33,500	£3,100	9.2%
6	Bootle	£28,000	£1,900	6.8%
7	Louth & Horncastle	£27,400	£2,900	10.6%
8	Southport	£30,300	£2,500	8.3%
9	Hastings & Rye	£30,600	£3,300	10.8%
10	Rayleigh & Wickford	£35,300	£4,400	12.5%

*Source: Public First analysis of ONS income estimates for small areas, ONS household projections, OBR house price projections, Defra flood risk data and National assessment of flood and coastal erosion risk in England 2024. Note: * rounded to the nearest hundred, ** see Table 1 for raw figures.*

Climate mortgage prisoners could bear significant repair costs

Owners of uninsurable properties may face significant out-of-pocket repair costs following storms or flooding. By their nature, these properties are more exposed to climate-related damage, often experiencing both higher initial impacts and an increased likelihood of repeated flooding. This combination leaves households particularly vulnerable to recurring financial strain over time.

Current industry estimates place the average cost of rebuilding a three-bedroom house between £30,000 and £45,000, depending on the damage.[37] This does not include the £15,000 of additional work needed to protect a home against future storms. Without insurance, climate mortgage prisoners bear these costs alone, and likely upfront. Their ability to meet these costs will vary significantly depending on household income and wealth. Given that the average adult in the UK has around £16,000 in cash savings, disadvantaged homeowners may struggle to make their homes liveable again after a storm.[38]

Falling prices for at-risk homes could push up prices in the wider housing market

Owners of uninsurable homes are also likely to see their property values fall. Evidence from Italy, the University of California, and the Bank of England suggests that climate impacts, such as extreme heat and flooding, are already causing a downward pressure on house prices of those at-risk homes.[39,40,41]

Large-scale mortgage refusal for flood-risk homes would be unprecedented, making price impacts hard to predict. However, clues can be drawn from parallels in the housing market. For example, leasehold properties with short lease lengths of less than 70 years are also difficult to secure mortgages on and can see price declines of over 20% as a result.[42,43] A fall in house prices of this order of magnitude is therefore not implausible. There is also recent evidence that when a property floods, it immediately loses 7% of its value, and this depreciation increases to 12% after 10 years.[44]

Falling house prices create serious problems for homeowners in high-risk areas because, for most people, their home is their biggest asset and source of wealth. When property values drop, homeowners lose equity (the part of the home they truly own), which means they have less capacity to borrow against it or use it to fund repairs, improvements, or a move. In some cases, they may even owe more on their mortgage than their home is worth, leaving them effectively trapped.

For lenders, a fall in house prices in high-risk areas means the homes securing their loans are worth less. This makes their mortgage portfolios riskier, raises the chance of losses if borrowers default, and can undermine confidence among investors who fund or buy these loans. As homes in high-risk areas become harder to insure or mortgage, fewer people will want or be able to buy them. Unsellable homes would effectively shrink the available housing supply, and demand would shift towards low-risk areas, pushing up competition and prices there. Public First's analysis suggests that house prices in safer areas could rise by as much as 8% (£34,000).

[37] Building, *Average cost of repairing flood-hit home as high as £30k*, April 2014
[38] Money.co.uk, *UK Savings Statistics 2025 - Saving Facts and Stats Report*, October 2025
[39] Banca d'Italia, *Temi di discussione*, July 2023
[40] Berkeley Haas, *High Temperature, Climate Change and by Real Estate Prices*, April 2023
[41] Bank of England, *The effects of subsidised flood insurance on real estate markets*, October 2024
[42] HomeOwners Alliance, *Getting a mortgage on a leasehold property*, [Accessed November 2025]
[43] Lawhive, *How much does a short lease devalue a property?*, February 2025
[44] Loughborough University, *Evaluating the impact of flooding on property prices and homeownership duration in England's housing market*, July 2025

3. Warnings from industry experts

This chapter looks at how government, lenders, and insurers can manage rising climate risks and protect the stability of the UK housing market in the near and long term. The findings draw on interviews and a workshop with experts from the finance, housing, mortgage, and insurance sectors, alongside a review of existing research and evidence.

Key findings from experts

The expert interviews and research identified several common conclusions. These include the need to:

- Manage the threat of climate risk to UK homes, at both the community and property level, for existing homes and new builds.
- Define the respective roles of insurers and lenders in supporting households and improve the quality and consistency of climate risk data used across the market.
- Address low consumer awareness of property-level climate risk, and low appetite to take on debt-related financing options.

Flood risk is increasing faster than efforts to manage it

In England alone, according to the Environment Agency's (EA) official National Assessment of Flood and Coastal Erosion Risk, 6.3 million properties, and around a third of road, rail, energy and water infrastructure, are currently at risk of flooding.[45] From 2018 to 2024, the EA found that the total number of properties at risk of flooding from rivers and sea decreased slightly, while the total number at risk of surface water flooding (when urban areas cannot drain the water quickly enough) increased by 43%. However, across both categories, the number of properties facing the highest risk increased by a total of 1.5 million - an 88% increase for flooding from rivers and sea and a 300% increase for flooding from surface water.

By 2050, the Environment Agency expects 27% more properties to be at risk of flooding, rising to 1 in 4 (8 million) homes and businesses, as well as half of railways and roads in England. The Environment Agency's forecast does not account for population or urban growth and is therefore likely to be underestimated. As urbanisation and nature degradation are also key drivers of flooding, the overall risk to the country's built environment could be much higher, particularly as the government plans to build more houses, data centres and energy infrastructure.

[45] Environment Agency, *National Flood Risk Assessment (NaFRA2)*, January 2025

Historically, flood funding has been insufficient

Interventions from policymakers have been insufficient to curb rising flood risk, largely due to sustained underinvestment. A lack of transparency around overlapping funding announcements also makes it difficult to gauge the government's actual investment in flood resilience since 2021.

In 2014, half of the existing flood defences in England received no more than a minimum standard of maintenance, which, in some cases, was no maintenance at all. Consequently, the National Audit Office (NAO) and Climate Change Committee (CCC) expect that existing defences will degrade more rapidly and will need replacing earlier.[46] Under the previous Conservative government, £5.2bn was committed over 2021-2027 in flood and coastal erosion schemes. However, inflationary pressures, supply chain delays, and departmental bureaucracy on funding formulas and business cases reduced the six-year programme's forecasted impact by 40%.[47] It is unclear how much of this was spent ahead of the General Election in 2024, following which, the Labour government committed £2.75bn over two years to April 2026. At the time of writing, it is also unclear how much of this was spent in 2024 and 2025.

A further £4.2bn was committed at the Comprehensive Spending Review in June 2025 for the 2026 to 2029 period. This £4.2bn is part of a 10-year capital investment of £10.5bn from 2026 to 2036, announced more recently in October 2025. While this commitment represents record levels of government investment in flood resilience, how this funding will be used in practice is yet to be determined.

The budget for Flood and Coastal Erosion Risk Management (FCERM) covers a wide range of solutions from hard engineering to natural management, sustainable urban drainage systems (SuDS), and property-level flood resilience measures. The Environment Agency's funding formula decides how the FCERM budget is allocated to schemes between different areas and different solution types. Until recently, the formula prioritised projects that deliver the greatest value for money - typically large, hard-engineering schemes that protect the highest number of properties. The government's proposed changes, announced in October 2025, aim to make the system simpler and fairer by giving greater weight to maintenance, nature-based solutions, property-level flood resilience, and projects that are smaller, rural and/or in deprived areas.

This is welcome news - hard engineering defences like dams and walls are not only expensive to build, but they also deflect the tidal power, pushing the water away, often increasing coastal erosion and flood risk elsewhere.[48] Instead, natural flood defences - like tree planting, wetland restoration and SuDS - slow, store, and soak up water, which reduces the flood risk and has wider environmental benefits. To date, only 1% of the budget is spent on natural flood management. Greater funding for property-level resilience measures is also welcome - this is discussed in more depth below. The new funding formula will be implemented from April 2026.

New homes are still being built in high-risk areas

Stakeholders also raised concerns around new homes being built in high-risk areas and/or without appropriate flood resilience measures.

Research commissioned by insurer Allianz in 2024 found more than 7,000 new homes have full or conditional approval planning permission on previously undeveloped floodplain land in the 12 local authorities with the highest proportion of homes at flood risk.[49] Earlier this year, North Somerset Council approved plans for 190 new homes in an area at risk of flooding. Although the site failed the formal flood risk (sequential) test, the inspector ruled that the development should go ahead because of the urgent local housing shortage and the low chance of the homes themselves flooding. Instead, only the access

[46] Climate Change Committee, *NAO find evidence of under-investment in flood risk management*, July 2014
[47] National Audit Office, *Resilience to flooding - value for money*, November 2023
[48] Environment Agency, *What is coastal squeeze?*, February 2021
[49] Localis, *Plain dealing revisited: Planning for flood resilience*, October 2024

road would be affected, and any flooding would occur gradually (around 42 hours) rather than suddenly, allowing time for appropriate responses.[50]

However, the challenge is not just whether the house physically floods or not; it is also whether insurers and lenders have a high enough risk appetite to cover the properties. Homes built after 2009 are not eligible for FloodRe, meaning homeowners would rely on risk-reflective insurance prices, which could be more costly.

To fill the 4.3 million home shortfall in the UK, the government has set a target to build 1.5 million homes by 2029.[51] There is a consensus that new housing is needed in and around the capital. However, the highest-demand areas of London and the South East already face growing risks of properties' overheating and flooding. Experts warned that in many cases, installing resilience measures in new homes will be necessary to balance managing climate risks with the desperate need for new homes.

Businesses' investment in flood resilience can displace risk onto neighbouring homes

Anecdotal evidence from expert stakeholders suggested that businesses are adapting their properties (such as warehouses and factories) to withstand flooding more quickly than homeowners. The cost of replacing damaged machinery or stock is a significant driver for this, given that non-residential properties are not eligible for FloodRe.

For this reason, commercial owners are proactively implementing measures such as flood walls, raised site levels, or floodplain barriers to reduce the risk to their property. However, while these adaptations hold water back from their property, experts warned that in some places, this simply moves the water towards other parts of a neighbourhood, increasing the risk to nearby homes.

A rising number of uninsurable homes presents a threat to financial services

As discussed above, lenders cannot grant mortgages on uninsured homes. Experts told us that, if FloodRe closes without a credible contingency plan and early certainty, hundreds of thousands of homes could struggle to obtain building insurance, making them unmortgageable. Major banks have already publicly called for an extension or greater clarity ahead of the closure of FloodRe in 2039.[52]

If, once FloodRe closes, hundreds or even thousands of homes in a community become uninsurable, it could have significant repercussions for banks and mortgage lenders. Lenders could face losses because generally, mortgage prisoners are up to 40% more likely to default on their mortgage repayments and fall into arrears. Even those who are able to cover the SVR of interest may struggle to meet payments and be forced to sell at a loss. Where affected properties become difficult to insure or mortgage, this may result in extended selling periods and depressed sale prices, increasing loss-given default and triggering collateral write-downs on lenders' balance sheets.

Furthermore, as climate risks become geographically concentrated, lenders may be forced to restrict new lending in exposed areas in response to default probabilities and declining collateral values. This could further accelerate localised house price declines, reducing the value of the properties that underpin banks' mortgage lending and increasing the losses lenders would face if borrowers default. In turn, banks may need to set aside more money to cover expected losses and hold additional capital against these higher-risk loans. With an estimated 430,000 households potentially affected, this could leave lenders with a growing concentration of difficult-to-sell properties on their balance sheets. In such a scenario where losses become widespread, this may reduce individual banks' profitability and resilience, restrict the availability of mortgage lending, and increase the risk that housing market shocks cascade through the wider financial system, posing a risk to overall financial stability.

[50] The Planner, *Appeal: North Somerset's housing need justifies flood-risk site homes*, March 2025
[51] Centre for Cities, *The housebuilding crisis: The UK's 4 million missing homes*, February 2023
[52] The Guardian, *Nationwide stops lending on some flood-risk properties*, April 2024

Finally, given the political sensitivity around mortgage rates and the cost-of-living implications, there are conduct, political, and reputational risks for banks and lenders that emerge from having climate mortgage prisoners on their books. A visible cohort or community of households “trapped” on a mortgage, facing thousands in additional interest payments each year, distress sales, and defaults would likely gain scrutiny from regulators, politicians, and the media.

Public awareness and engagement gaps hinder progress

Homeowners' awareness of the risk to their property is low

Research shows that homeowners are largely unaware of what risks their property faces. The Environment Agency’s polling shows that 45% of the public have not looked up the flood risk for their home. Experts told us that information about a property’s flood history is often unclear and incomplete, as there is no central public record of past flooding at a property level. Buyers must often rely on what the seller remembers and chooses to disclose about previous floods or any measures taken to reduce risk.

Furthermore, Public First polling found that 30% of homeowners have never checked to see if their home is insured against flooding, while 45% have never checked for the effects of extreme heat. In comparison, homeowners are far more aware of whether their insurance covers burglary, with just 22% never having checked the policy.[53]

For most homeowners, their property is their biggest asset, outgoing expense, and source of wealth. Insurers told us that, as a result, most homeowners may have an element of denial, in that they do not want to think of their home as being at risk. This translates into an unwillingness to install resilience measures. Experts also noted that buyers often see flood resilience measures as a sign that a property is at risk, which can make it less appealing. Consequently, homeowners are discouraged from installing such measures because they fear it could make their home harder to sell or reduce its value. The absence of flood performance certificates exacerbates this because there is no clear way to show that resilience measures reduce risk, so buyers may simply interpret them as a sign that the property is vulnerable to flooding.

Moreover, with the rising cost of living, many households are unlikely to prioritise resilience upgrades, especially when the impact on property value is uncertain. Those planning to sell often focus on visible improvements, such as redecorating or installing a new kitchen or bathroom, which can more clearly add value. Even when families have disposable income, they may prefer to spend it on something more enjoyable, like a holiday.

British households generally do not like using debt to fund home improvements

Most British households prefer to pay for home improvements from savings rather than borrowing. Polling shows people are generally wary of taking on extra debt, though they are comfortable with standard loans like mortgages or car finance. Research by MCS found that homeowners tend to use savings for upgrades unless the cost is over about £8,000.[54]

Experts told us that the financial benefits of energy efficiency or resilience upgrades are often too small for most households to see borrowing as worthwhile. Because climate risks feel uncertain and the savings are not guaranteed, many see little reason to take on extra debt.

This preference to use savings has limited the success of green mortgages. Despite the number of products on offer significantly increasing, green mortgages have not gained widespread appeal beyond early adopters and only represent around 11% of mortgage deals. Currently, green mortgages primarily incentivise improvements to a home’s energy efficiency rather than its resilience to climate risks. Experts had conflicting views on whether this was right or not. At this stage, it is unclear how much demand there

[53] Public First, *New research for AXA UK on local climate risks*, November 2024
[54] MCS Foundation, *Homeowner Attitudes to Retrofit Finance*, June 2025

would be for a resilience-based green mortgage, given the limited awareness of issues like flood risk. Furthermore, new evidence suggests that 3.1 million properties could benefit from property-level flood resilience measures that cost as little as £1,500, which many households may not see as worth remortgaging or borrowing for.[55] However, more comprehensive resilience retrofits can cost between £10,000 and £30,000, similar to installing a heat pump, solar panels, and a battery system. In these cases, a resilience-focused green mortgage could have greater appeal, though it would still face the same cultural and behavioural barriers that have limited uptake to date.

The private finance market is at a crossroads

Insurers and lenders look to each other for action

Across the research, workshops, and interviews, there was limited consensus over who is best placed to take the lead role in addressing climate vulnerabilities in the housing market, between insurers, mortgage providers, estate agents and/or surveyors.

Lenders and insurers are closely linked: lenders depend on insurers to protect the value of mortgaged properties, while insurers rely on stable lending and accurate valuations to price risk. As climate change increases the frequency and cost of damage claims, each sector looks to the other to manage rising risks. Lenders expect insurers to maintain affordable cover, and insurers expect lenders to limit exposure to high-risk properties.

At present, insurers play the most active role by compensating households for storm damage. They have also moved beyond their traditional remit of covering only economic loss through schemes like FloodRe's Build Back Better, which offers up to £10,000 after a flood to help households install resilience measures. However, uptake has been low, despite wide insurer participation and available funding, suggesting that insurers alone cannot drive the scale of action required.

Similarly, mortgages have not proven to be a popular mechanism to help homeowners finance energy efficiency upgrades, suggesting it may not be the most effective solution to encourage property resilience installations. Lenders also reported that it is unlikely they would be able to make green mortgage deals any more competitive than they are now, as rates and interest are already so low.

Although most agreed that collaboration is important, experts were clear that meaningful progress will require the government to take the lead in outlining a clear plan for the future of FloodRe and raising awareness of property-level flood resilience.

Climate models are less accurate at the individual property level

Experts also raised concerns about the reliability of the climate models used by insurers and lenders. There are a handful of datasets that the top lenders and insurers all use. While useful for methodological consistency, it presents a challenge if data errors in measuring risk are compounded across multiple lenders and baked into the housing market. For example, one expert we interviewed told us of an instance where the risk data between two datasets was up to one kilometre off. This adds uncertainty to the way risk is priced in insurance premiums and mortgage offers.

As a result of this lack of granularity, insurance premiums are modelled on the risk of the area, rather than the individual home. Currently, if a homeowner invests in property resilience measures, it will protect the home and their belongings from damage but will not reduce their insurance premiums. This is because without a standardised method to inspect and value the installations, insurers cannot accurately quantify the reduced level of risk or reflect it in premiums.

[55] FloodRe, Reducing Flood Risk: *Which homes are most suitable for PFR? - Phase 1: National-level analysis*, October 2025

FloodRe is developing Flood Performance Certificates (FPCs) to help address this, as the current pricing structure acts as a disincentive to invest in measures. FloodRe is looking to begin trialling FPCs in the second half of 2026, and the Bonfield Review recommended they be rolled out across the market within the next five years.[56] The certificate is designed to give homeowners and buyers clearer, standardised information about a property's flood risk and resilience. Similar in concept to Energy Performance Certificates (EPCs), FPCs will rate how well a property can withstand flooding and suggest practical improvements. This will enable insurers and lenders to better understand the risk to the individual property and address information gaps between sellers, buyers, insurers, and lenders. However, it is unclear when FPCs will be implemented in the market. Additionally, information gaps still exist for certain climate impacts, such as the effects of extreme heat (subsidence, wildfires, etc.).

Greater uptake of green mortgages would enable climate-proof homes

Green mortgages can be a practical way to help homeowners finance home upgrades to lower their energy bills and home emissions. In the future, green mortgages could be extended to enable homeowners to undergo improvements that would protect their property and belongings from storms and flooding. For lenders, green mortgages also provide a financial vehicle for protecting the long-term value of properties on their books. This is because more efficient homes are less likely to become difficult to sell if energy efficiency rules for renting and selling tighten, and more resilient homes are less likely to require insurance payouts or lose value if property damage goes unrepaired.

However, green mortgages are relatively unknown to the public; uptake has been low, and to date, they can only be used for energy efficiency upgrades or as an incentive to buy already-efficient homes. Additionally, homeowners can often use alternative ways of borrowing for property improvements. For example, experts told us that homeowners prefer to use savings or a low or no-interest credit card for smaller, low-cost upgrades. Experts also noted that for larger home upgrades, green mortgages are the most competitive option available.

To ensure compliance with the FCA's greenwashing rules, for every green mortgage on offer, lenders will typically offer a similar product without the 'green' component that is less competitive. This means lenders will generally offer two products with the same loan-to-value, terms and features, but the 'green' one will have a lower, more competitive interest rate. What makes it 'green' is that the lower rate is only available if the property already meets, or is upgraded to meet, a specified EPC rating.

This means that green mortgages are not always the cheapest mortgage offers in the wider market - in these cases, the offer matches market interest rates while their 'twin' product is more expensive. While economists expect wider market interest rates to fall in 2026, it is uncertain how much additional room lenders will have to reduce green mortgage rates further, compared with standard loans. However, not all homeowners seek out the cheapest headline mortgage. Credit history, deposit size, duration of the fix, and plans to refurbish the property all contribute to what mortgage offer is most suitable to a borrower.

Despite their relatively nascent place in the market, green mortgages have a crucial role to play in improving the efficiency of homes today - and possibly the resilience of homes in future.

As mentioned above, the CCC estimates that between 65% and 90% of the expected £300bn needed to upgrade the UK's housing stock will need to come from private finance. While there is no single estimate on how much resilience upgrades will cost, given that there is significant pressure on public finances, these upgrades will likely require private financing, too. For some households, where the required resilience upgrades can be as low as £1,000, using savings or low/no-interest credit cards could be both simple and preferable. However, where upgrades could cost as much as £40,000, extending the mortgage to pay for resilience upgrades may be more plausible than using a credit card or cash savings.

Expanding green mortgages to include resilience upgrades will need to be done carefully and in step with public demand. The green mortgage market is still in its infancy and needs to gain more momentum. There is also significant value in their current purpose - to help finance energy efficiency upgrades - as they lower

[56]Professor Peter Bonfield, *An independent review of property flood resilience*, October 2025

future financial risks for lenders, help to cut costs for homeowners, and reduce emissions. But experts stressed that mortgage providers and brokers, alongside the government, could do more to make homeowners more aware of them and their benefits. And while experts told us that extending the scope of green mortgages to include financing for resilience measures could be beneficial, they stressed that the focus must be on energy efficiency for now. Adding more objectives before green mortgages fully gain momentum and familiarity could overload and overcomplicate the market.

Given that the green mortgage market is still in its early stages, products vary widely in their terms and benefits. This raises the question of whether the government or regulators should introduce a single, fixed definition of a "green mortgage." Experts were clear that doing so now would be counterproductive. While a definition might offer clarity for brokers and consumers, most felt it would risk locking the market into a narrow model before it has had a chance to develop, potentially discouraging lenders from testing new or more ambitious approaches.

Experts emphasised that growing demand requires lenders to experiment with different incentives, structures, and upgrade pathways. A rigid definition could limit this innovation. Instead, they supported a principles-based approach that gives the market room to evolve in response to consumer needs, including the inclusion of climate-resilience measures as data and verification tools improve. These principles should still provide consistency where it matters. For example, standardised naming conventions would help consumers understand the differences between products that reward buying an already efficient home versus those that help finance upgrades, while giving the industry a clear way to categorise and track emerging product types.

FloodRe's closure in 2039 means action is required soon

As mentioned, FloodRe pools risk by letting insurers share the cost of underwriting flood risk across the wider market. The scheme was set up in 2016 and is due to end in 2039. It was introduced as a temporary measure to provide households with affordable combined insurance while the UK's overall flood risk decreases.

However, when FloodRe closes in 2039, there is a risk that some of the 346,000 properties currently insured through the scheme will no longer be possible to underwrite. Given that the current estimate of an annual policy for FloodRe-eligible homes is as much as £10,000, it is also likely that homes will become prohibitively expensive to insure. This would be a cliff-edge for the housing market because uninsurable properties cannot be mortgaged.

Industry experts warned that, without clarity on Flood Re's future, mortgage providers may begin refusing to lend on properties covered by the scheme as early as the end of this parliament. They also noted that extending or reforming Flood Re would be a complex process, potentially taking up to seven years to design, fund, and implement a new model. As the market shifts toward risk-reflective pricing from 2039, firms that fail to prepare may find themselves at odds with the central aim of the FCA's Consumer Duty: ensuring customers are treated fairly and protected from foreseeable harm.

As flood risk continues to increase, insurers and the government will have three options:

1. Extend FloodRe either indefinitely or in the short term while the flood risk reduces.

2. Extend FloodRe but also reform it so that other industries also contribute to the costs, as the payouts from higher flood risk are rising.

3. Close FloodRe in 2039 and return to a risk-reflective market.

Conclusions from experts

There are broadly three categories of potential solutions available for addressing climate vulnerabilities in the housing market.

1. **The government should lead in reducing the overall risk from a changing climate.** Despite record funding commitments and progress in building hard defences, flood risk is rising faster than efforts to manage it. Chronic underinvestment, delays, and a narrow focus on value-for-money projects have left many communities exposed. The recent reform of the Environment Agency's funding formula marks a positive shift, expanding support for nature-based solutions, property-level resilience, and smaller or rural schemes, but it will take time to show results. As the government pushes ahead with plans for new homes, it must ensure that future development and investment actively reduce, rather than compound, the UK's overall climate risk.

2. **Homeowners should be supported and encouraged to lower their property's vulnerability.** Homeowners need stronger support and clearer information to make their properties more resilient. Awareness of flood and heat risks is low, and the information available to buyers and owners is often incomplete or inconsistent, relying largely on what previous owners choose to disclose. Experts agreed that a single, digital property file that combines details on energy efficiency, flood performance, and past damage would give homeowners and buyers a clearer picture of risk and help guide resilience improvements. Yet even with better information, behavioural and financial barriers persist: most households prioritise other types of home improvements, prefer to use savings over borrowing, and show limited appetite for products like green mortgages. Making progress will require both clearer information and financial incentives that make investing in resilience worthwhile.

3. **Greater certainty is needed to stabilise the market for insuring and lending homes.** FloodRe's closure in 2039 represents a critical turning point. Without a clear plan for what follows, the 346,000 homeowners currently insured through the scheme could face premiums of as much as £10,000 a year, or no insurance coverage at all. While insurers and lenders both have roles to play, experts agreed that the government must take the lead. Policymakers must set out a long-term vision, deciding whether to extend either in the short-term or indefinitely, reform, or close FloodRe. Experts stressed that clarity on this is required by the end of this parliament at the latest.

4. Recommendations

This report demonstrates how climate change threatens not only the physical safety of Britain's homes but also the financial security of households and financial services. As extreme weather becomes more frequent, homeowners, lenders, and insurers all face growing risks from rising repair costs and insurance premiums to declining property values and climate mortgage prisoners. This chapter outlines how government, industry, and households can work together to reduce these risks, build resilience, and protect the long-term value of the UK's housing market: the greatest source of wealth for most households.

Insurers and mortgage providers should better inform households about the known risks to their property. Consumer awareness and risk prioritisation have remained stubbornly low for numerous reasons.

Recommendation One: Introduce flood performance certificates (FPCs) followed by resilience performance certificates (RPCs) to inform households about the risk to their property. Many homeowners and buyers are unaware of the risk they are taking or have taken on because the risk modelling used by lenders and mortgage providers is inconsistent and incomplete. FPCs are a simple way to provide clarity on the level of risk to a property. FloodRe plans to pilot FPCs within the next year and work to fully implement them across the market in the next five years.

There are clear lessons from the failed homebuyers' packs policy (2007 and 2010): too few trained inspectors meant limited assessments, and the information produced was of little use. Instead, having a simple risk rating could make the property more attractive to buyers. It would also provide insurers with a reliable score to adjust their annual premiums to account for reduced risk if resilience measures are installed. Experts felt that RPCs should follow FPCs once they have been successfully introduced to avoid overloading the system.

Recommendation Two: Insurers and mortgage providers should better inform homeowners if their property requires FloodRe. Most homeowners whose properties are insured through FloodRe are unaware of the scheme, as most people do not read the fine print of terms and conditions. Previous Public First research found that nearly half of the public (48%) had never checked if their home insurance covered flooding, let alone if their property required FloodRe. One drawback of FloodRe is that by suppressing the risk signal of higher insurance premiums, it leaves some homeowners unaware that their property is physically at risk.

If homeowners know their flood risk, they are more likely to prepare. Since FloodRe is ending in 2039, homeowners should also consider - and be supported to consider - whether insurance will remain affordable and whether to install resilience measures. Due to the complexity of calculating savings for at-risk households under FloodRe, it is not possible to quantify an exact amount. Nevertheless, insurers should inform homeowners about FloodRe on the first page of their policy schedules and confirmation emails, including any implications it may have for their future annual insurance premiums. Promoting homeowner and buyer awareness about the physical threats to a property will, in turn, support the case for extending green mortgages to cover resilience measures in the future.

The government and insurers must decide on the future of FloodRe by the end of this parliament. Mortgage lenders and homeowners require clarity on the future of their coverage to maintain confidence in lending against or underwriting at-risk properties.

Recommendation Three: Set a deadline for deciding FloodRe's future by the end of the parliament (2029) and prepare to extend and/or reform it. FloodRe has ensured that households at risk of flooding can both obtain insurance and do not have annual premiums of up to £10,000 per year. While FloodRe has successfully suppressed insurance premiums to ensure affordability, it is unlikely to be able to continue in its current form post-2039. FloodRe currently costs £135 million per year and is funded through a pooled fund from a home insurance levy, which is coordinated by the government.

However, since its establishment in 2016, the UK's flood risk has increased alongside the number of claims and insurance payouts. It is therefore likely that FloodRe would need to raise more capital if it were to continue. But policymakers must also consider that without the scheme, insurers may not renew coverage for the most at-risk properties, potentially creating thousands of climate mortgage prisoners.

Whichever approach the government and insurance industry choose, a decision must be reached by 2029, ahead of a new parliamentary term, which could delay progress. Without certainty, there is a risk that mortgage providers will stop lending on the 346,000 properties reliant on FloodRe. A decision by 2029 is crucial to accommodate the time needed to design a new scheme, negotiate contributions from other industries, manage any transition period, and maintain stability in the housing market. The fifth transition plan, due in 2028, should define any further milestones necessary to reach a clear decision by the end of the current parliament (2029).

The government's Warm Homes Finance Taskforce should work with the FCA, mortgage providers and brokers to drive uptake of green mortgages. Green mortgages could help upgrade millions of homes with poor energy efficiency - and, in time, poor climate resilience. They provide a way to channel large-scale private finance into real improvements undertaken by homeowners. But this potential is far from being realised.

Recommendation Four: Provide clearer standards for green mortgages and eligibility checks to help brokers and consumers navigate green mortgages at the point of sale. Experts agreed that the government should avoid imposing a single definition of a green mortgage at this early stage, as doing so could limit innovation. However, the current variation in product names, eligibility criteria and terminology creates confusion for consumers and makes it harder for brokers to compare options.

To provide clarity without restricting the market, the FCA should consider requiring lenders to adopt more consistent product naming and supply short, standardised product summaries that set out eligibility, expected benefits and verification requirements. This would help consumers understand and compare products, particularly as terms like "retrofit" remain poorly understood by the public, yet some lenders have named products "Retro Fit Mortgage".

Additionally, given that over four-fifths of mortgages are arranged through brokers, clearer information at the point of sale is essential. The FCA should consider introducing a simple, mandatory "green suitability check" within existing advice standards. Rather than steer customers towards a specific product, this would ensure brokers routinely ask whether a buyer is purchasing an efficient home or planning energy improvements and highlight any green products that may be relevant.

Embedding clear product naming and suitability checks into the advice process would make green mortgages more visible, easier to compare, and a routine part of discussions, rather than leaving it to consumers to identify and interpret on their own.

Recommendation Five: Enable lenders to price green mortgages more accurately and competitively. To grow the market, lenders need clearer rules on how to assess borrowers fairly when homes are energy efficient or when borrowers plan to improve efficiency. The government should ask the FCA to clarify exactly how lenders can take expected energy bill savings and planned upgrade costs in affordability checks. This would remove uncertainty and allow lenders to reflect genuine cost savings in their lending decisions.

Simultaneously, the government should work with the Prudential Regulation Authority (PRA) to clarify when verified improvements, such as an EPC uplift or a certified retrofit, can be recognised as lowering long-term lending risk. If lenders treat these improvements as genuine risk-reducing measures, they can offer better rates and incentives. Together, these steps give lenders the confidence and financial rationale to develop more competitive green mortgage products.

Recommendation Six: Build future demand for climate-resilience finance. By the end of this parliament, introducing recommendations one through eight will lay the foundations for expanded green mortgages that include resilience upgrades. This means supporting the rollout of resilience performance certificates, improving public understanding of physical climate risks, and signalling that green-mortgage eligibility will expand to resilience measures once robust verification tools are in place. These steps will help create consumer demand and a credible evidence base for future "resilience mortgages."

The government should reduce the overall climate risk that communities and properties face by ensuring adaptation is integrated across relevant policy objectives - including resilience infrastructure standards, farming payments, and new build regulations.

Recommendation Seven: Strengthen building and planning regulations to support flood resilience measures in new housing developments. A delicate balance must be struck between the government's ambition to build 1.5 million homes by 2029 and the need to avoid increasing flood risk for both new and existing properties. However, under the current planning and regulatory framework, new homes continue to be built in areas at risk of flooding, often without sufficient resilience or mitigation measures in place. This not only exposes households to future climate risk, but it can also increase runoff and surface water flooding for surrounding communities by replacing permeable land with hard surfaces.

Strengthening regulatory requirements for new housing developments is therefore essential to ensure that new homes built in flood-prone areas are protected from flood risk without displacing floodwater elsewhere. For example, enacting Schedule 3 of the Flood and Water Management Act 2010 would introduce a statutory requirement for developers to install sustainable urban drainage systems (SuDS) in new developments. SuDS are a form of natural flood management that slow and store surface water by mimicking natural drainage processes. Although Schedule 3 already exists in legislation, it has not yet been implemented and currently only operates as non-statutory guidance, largely due to concerns about potential impacts on developer costs and house prices. However, recent research by Public First found that most developers view SuDS as a necessary and potentially valuable part of development, where there is space available.[57] With a coherent national framework and consistent requirements, implementation of Schedule 3 could help crowd in private investment into natural and local flood defences.

Additionally, property-level flood resilience (PFR) measures can help prevent or slow the entry of water into homes, reducing damage during flood events. Many of these interventions are relatively low-cost – as highlighted in Bonfield's 2025 independent review of property flood resilience – but still have low take-up. The government should consider updating building regulations to include PFR measures for new builds in high-risk areas.

[57] Public First, *Planning for Water: The Value of High Quality SuDS*, October 2025

Recommendation Eight: Ensure that adaptation is integrated across all relevant government policy objectives ahead of the National Adaptation Programme (NAP4). The Climate Change Committee (CCC) has found that the UK's approach to adaptation has been insufficient so far, in part because responsibility for adaptation has historically sat with Defra, while delivery depends on policy and spending decisions taken across multiple departments. In practice, this means adaptation must compete with other departmental priorities such as housing delivery, infrastructure investment, and agricultural support. This tension is demonstrated through the NAP process, where Defra coordinates and compiles an adaptation policy plan for individual departments to deliver against. However, the previous three iterations of NAP are deemed a failure by the CCC. Ahead of the fourth iteration in 2028, the CCC states that "effective cross-Government collaboration is needed to ensure all departments are engaged with adaptation and recognise the challenges that climate impacts can have across multiple sectors at any one time."[58]

The Treasury's 10-year Infrastructure Strategy sets out an ambition for the Cabinet Office to lead the development of new resilience standards across the UK's 14 critical national infrastructure sectors. The government should build on this by extending resilience standards and adaptation requirements into wider policy and spending decisions beyond critical infrastructure, including land use, housing, and environmental schemes. By embedding adaptation considerations into cross-departmental investment and delivery frameworks, policymakers could ensure that climate resilience is treated as a key objective of infrastructure and land-use policy, rather than an isolated environmental concern.

For example, adaptation outcomes could be improved by simplifying and aligning the rules governing how farmers combine private and public funding to deliver natural flood defences alongside other environmental benefits. Farmers steward around 70% of the UK's total land area and are often well placed to establish and maintain natural flood defences – and are already paid to do so. Through the Environmental Land Management Schemes (ELMs), farmers are paid to deliver a range of public benefits, including improvements to biodiversity, soil quality, and water management. Actions under ELMs, such as establishing buffer strips along watercourses or restoring peatlands, can improve biodiversity while naturally reducing flood risk.

However, there has been significant confusion around the ELMs budget, and farmers report that they lack the financial certainty necessary to take part in the schemes. The government has already indicated support for combining public and private funding, referenced in the recently published Land Use Framework. However, existing rules are highly technical and poorly aligned across schemes, creating barriers for farmers seeking to stack funding streams without breaching double-funding requirements. Clarifying and simplifying these rules would help enable the delivery of natural flood defences at the scale and pace required.

[58] Climate Change Committee, *'Planning for climate impacts falls short once again'*, March 2024.