



Paul Ellis, Chief Executive of The Ecology Building Society

Sustainable mortgages

Regeneration on a personal scale

What can policy makers and funders learn from the practice of the Ecology Building Society, which has been supporting small-scale green building projects for 20 years? Paul Ellis, Chief Executive of the Ecology Building Society, spoke to Anna Brown about the past, present and future of his business.

Now they are buzzwords: green, sustainable, environmentally-friendly, regeneration and re-use. Twenty years ago they were ideals, dreams espoused by the then Ecology Party – now evolved into the Green Party, but then a select few, committed to a challenging life of self-sufficiency. Such pioneers were often frustrated by their inability to convince traditional lenders that their projects were worth a mortgage, or that their plans for regenerating derelict homes using environment-conscious methods could stack up against the standard mortgage-assessment criteria.

From a village near Keighley – in the traditional West Yorkshire home of the Building Society movement – a determined group decided to apply their DIY ethic to financial services and established the Ecology Building Society. Committed to lending only to projects which passed a strict code of ecological criteria, they set out to prove the existing lenders, who rejected ecologically motivated projects, wrong. Fortunately for the founders of the Ecology Building Society, the barrier to entering the financial services market was far lower than it is now: they needed only £5,000 in capital to establish themselves, unlike the £1 million required today. As they were preparing their application, a move to raise the sum to £50,000 was underway, and Paul Ellis related the story of how their submission came in just under the wire – a friendly official meeting the applicants on a station platform at precisely 5pm the evening before the new regulations came into effect.

The Ecology Building Society was, and remains, the only society to turn away financially 'acceptable' applications for mortgages based on criteria corresponding to their core mission and principles. They are willing to fund only the renovation and conversion of derelict or run-down urban and rural properties, construction of new ecologically sound properties, housing cooperatives and other similar projects.

The key working principle of the society is 'to promote...ecological policies designed to protect or enhance the environment in accordance with the principles of sustainable development'. They aim to contribute to the regeneration of rural areas and inner cities, and promote a more sustainable way of life.

Despite its differences to traditional financial institutions, the Ecology Building Society can hold its own in the financial services sector. Three years after its foundation, the society was in profit. Now, it holds assets of £31 million. Last year, it grew by 18%, ranking it second among building societies in terms of growth rate. The society's policy and assessment procedures have changed little over the years, but perhaps the outside world has moved closer to the Ecology Building Society's principled approach to funding and planning development.

The society's lending procedures hinge on working closely with borrowers. The Ecology Building Society does not have bad debt problems, and in its history has only had six borrowers in serious arrears, out of a total of 1,100 loans. Paul Ellis admits that sometimes the timetables for required work on the properties need to be revised over the length of the loan, but the sympathetic approach almost always has positive results for both lender and borrower.

Each project is assessed on its own merits, starting from the ground up. As Paul Ellis explains, 'we believe our borrowers should have a stake in the property'. Usually, the society will lend up to 80% of the property's value in its 'current state'. Funds are often released incrementally, based on revaluation at suitable stages of work on the property. Recently, the society has begun to move into the destination sector. Originally, the Ecology Building Society was against tourism in principle, due to the ecological damage it can cause. Holiday homes are still never funded. But, although the society's core principles are still firmly upheld, its policy on tourism is evolving. In recent years, the Ecology Building Society has supported an organic farm offering bed and breakfast, a green hotel, and now the Kilmartin House Trust's Eco-Museum project in Argyll.

The Kilmartin House Trust is a tourist destination with a difference, encompassing an archaeological museum and web of sites throughout the valley, with unified signage and interpretation systems. The Trust is an independent enterprise boasting significant links with museums and archaeological institutes, committed to interpreting the rich heritage of Argyll from the Iron Age through the early Christian period.

A great testimony to the value of the project was an Environmental Initiative Award bestowed in 1996, before the museum was open. One of only ten such awards for promoting the understanding of the environment through museums, it was sponsored by the Scottish Museums Council, Scottish Natural Heritage, and Crown Estates.

What distinguishes the Trust in terms of destination-making is that it is located in a peripheral area, poor in infrastructure but rich in goodwill.

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European funding, Scottish Enterprise, the Heritage Lottery Fund and a number of other contributors have combined to support the project. It is noteworthy that Kilmartin House stays open year-round, underscoring the fact that it is constituted as being 'not just a tourist attraction, but [having] a responsibility to local residents to be accessible as an educational and recreational resource all year round'.

From the start, the Trust has worked closely with local communities to encourage an upgrade in the quality of accommodation and visitor services available nearby. This is not likely to be a midday stop-off on the route to somewhere else, but a destination spreading over several miles where visitors can spend an enjoyable few days. The museum building in the town houses a high-quality café and excellent bookshop, and promotes other local businesses such as restaurants.

The basic facts are hard to change: the destination is hard to reach, and inevitably encourages the use of the car. Nonetheless, Paul Ellis has chosen to support the Trust's work, consonant with the Ecology Building Society's core principles.

Contrast the Earth Centre in Doncaster, an eco-focused Millennium project which is among this year's notable failures, both in terms of visitor numbers and critical response. Paul Ellis himself went to see the project, and was not impressed by the presentation of issues close to his heart. With no 'wow' factor – nothing to pull in the crowds and expose them to a real dose of green thinking – it fails in its stated aim to bring environmental issues to a wider public.

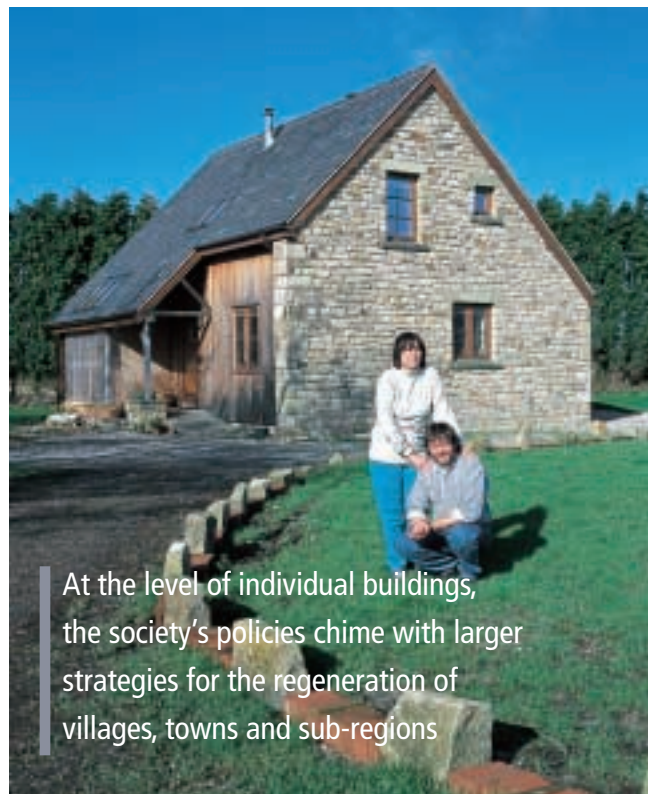
Equally, the Earth Centre has not managed to attract the visitors who should be its fellow-travellers, people already committed to the green cause. Without its core audience, and without mainstream appeal, the project can only fail. Worst of all, it encourages the use of cars to travel to the destination, and offers no close links with its surroundings.

From the destination industry perspective, the interesting thing about the Ecology Building Society is its focus on regeneration. At the level of individual buildings, the society's policies chime with larger strategies for the regeneration of villages, towns and sub-regions. Environmentally sound projects which bring sustainable development to peripheral areas are ideal. Access to support from a sympathetic lender makes all the difference for an individual, cooperative or organisation seeking to re-use derelict buildings. Supporting such projects in clusters, in areas desperately in need of regeneration, is precisely the policy goal of public sector development agencies.

The practices and successful small-scale track record of the Ecology Building Society may serve as a model for regenerators seeking to formulate and apply funding policies for regeneration that prioritise re-use of 'difficult' buildings whilst creating communities around them. Sustainability is sought on all fronts: architects and engineers are increasingly putting forward plans for new developments designed on environmentally friendly lines from the outset, often complementing building recycling on brownfield sites. The Ecology Building Society has proved over the years that it is possible to fund such developments commercially given a flexible and sympathetic approach which recognises the importance of community support.



The Ecology Building Society - supporting sustainable projects



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A recent EBS project - a house built entirely from reclaimed materials