

TEST OF CHANGE

Fair Fuel

**The role of no-interest loans for
purchasing home heating oil**



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Around 140,000 homes in Scotland are heated using oil. Most of them are off the national gas network in Scotland's rural and island communities, and nearly a quarter of these households are in fuel poverty. Taking Action on Rural Poverty partnered with Grampian Credit Union, to test the provision of no-interest loans for home heating oil, to support people to heat their home through access to affordable credit.

Why Fair Fuel?

41% of Aberdeenshire homes are not connected to the mains gas grid and rely on electricity or home heating oil for warmth. Heating oil users do not have access to some of the support and protections that gas and electricity users do:

- Heating oil needs to be bought in bulk, meaning many households cannot spread the cost of their energy across the year. Many find it difficult to make the large payments needed for a tank refill.
- Heating oil is not regulated by Ofgem, so is not covered by the energy price-cap – this leaves

households exposed to sudden price rises. The price of a litre of oil has risen from 58p in 2025 to 80p in 2026, with a high of £1.30.

- Fluctuating prices have more impact on those who have less: it is much harder to take advantage of times when prices are lower if you need to find a large sum of cash to fill your tank. This is the **poverty premium**, where households who have less cannot access the cheapest deals.
- Rural households experience another premium: exposure to weather, older or lower quality housing stock, and less housing choice mean rural homes cost more to keep at a comfortable temperature.

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A world conflict has put me into a situation of being cold, hungry and with no light at the end.

*Lived Experience Input –
TARP Photostories*

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About the no-interest loan test of change

We partnered with Grampian Credit Union to trial no-interest loans for households in Aberdeenshire to purchase home heating oil. Drawing from schemes in [England](#) and [Australia](#), the loans were designed to reduce the poverty premium by enabling households to spread the cost of buying oil in bulk and give more choice of when to buy. Partnering with Grampian Credit Union meant applicants would also get membership to the credit union and the associated benefits. The pilot ran from July 2025 to March 2026.

- Branded as 'Fair Fuel', we connected with agencies supporting people across Aberdeenshire and asked them to refer those who would benefit into the loan scheme. Later we ran adverts on Facebook and local radio.
- Grampian Credit Union received referrals and processed them using their usual affordability calculations, ensuring that repayments are clear and affordable. Repayments would be requested, but no formal action taken to pursue debt for those who disengaged.
- Referral agents were broadly supportive of the scheme, but referrals were low. Majority of referrals came through those unsuccessful for a crisis grant.
- Our evaluation focused on process-learning from the team, as well as in-depth conversations with those who had taken or applied for loans, to understand what worked, where the challenges were in the process, and any barriers, including low referral numbers and exploring how so many applicants were lost in the initial stages.

- 14** households referred into the scheme
- 8** progressed to discussions
- 7** were approved for a loan
- 4** took the loan offered with 3 refusals
- 3** were making repayments at the time of evaluation

Perceptions of credit

Most of us can benefit from credit we can afford to pay back. It can be an important and sustainable way of managing household finances. But for some, conversations around debt evoke stigma and stress. We learnt this can be true even if the loan comes from an ethical lender.

- We hosted an event outlining how providing access to ethical credit can support people living in poverty. With honesty and transparency, credit can be made available to more people, as affordability calculations do not need to account for high levels of fees and interest.
- Conversations at this event outlined the concerns amongst some organisations about ethical lending and debt, a reluctance to encourage borrowing, and fears of deepening financial challenges.
- Open and honest conversations about credit, debt and the impact on individuals are essential for referrers and individuals to use any no-interest loan scheme. Knowledgeable staff at all levels would enhance trust for those applying, and confidence for referrers.
- Where there are other options to credit, these will usually be prioritised. Referral agents told us they would refer people on to free support before engaging with a no-interest loan.

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I just can't bear the thought of another thing that I've got to worry about paying back.

Lived Experience Input – Interview

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Practical learning

Interviews were undertaken with three people who had been referred into the scheme, as well as ongoing discussions with referral agents and partners throughout the pilot. Four lessons came through strongly.

- Applicants felt shame about their finances, and the need to apply for support. In the test of change, questions in the affordability check about benefits caused fear for some about impacts on their entitlement. Any application process needs to be co-designed to minimise this, be trauma-informed and reduce the need to perform poverty.
- Financial and time requirements of the process must be proportionate to the value of the loan. This includes ensuring that the process is accessible to minimise additional time-costs for applicants who are neurodivergent or have other access needs. Examples where this pilot fell short included unclear or contradictory instructions for a credit check and forwarded long chain emails sent to applicants.
- Support around applications was identified as being important, with some valuing in-person options. This included support for people

who were not approved for a loan, ensuring this is communicated effectively, and that alternative options are explored.

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It's easier for me to go skint for a month and pay out £400 than deal with all this.

Lived Experience Input – Interview

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- Applicants want the process of applying to be simple, speedy and with robust communication. A positive customer journey is vital to the success of no-interest loans schemes. Test of change applicants described patchy communication around the progress of their application and payment delays. Some ultimately decided the stress of living with uncertainty was too high a cost for the loan and withdrew.

Reflections from the Credit Union

Reflections from the project partners at Grampian Credit Union provided distinct insight. The credit union's aim is building longer term stability and promoting saving. Connecting and building trust for this aim has a longer lead-in, whereas the no-interest loans were frequently responding to a crisis: where someone had already run out of heating oil, with cold weather approaching. Pacing conflicts played out in a number of ways:

- Applicants in crisis found the application requirements and checks challenging. As well as continued review of processes, GCU suggested framing early communications for similar initiatives around the importance of acting early to be ready for winter, and building expectations that it is a longer process rather than a reactive crisis grant.
- The importance of building relationships and trust, to support people with their finances, was highlighted. There was an impact of people not wanting to give referral details on the phone, fearing a scam. Building trust takes time, and a longer planned turnaround for loans may support this.
- GCU recognised the importance of building relationships before people need to use them, and are visiting community centres and support organisations locally to build up familiarity and recognition with the aim to becoming a known and trusted source of support in the future.
- The Fair Fuel test of change had success in the metrics which are harder to measure: familiarity with the credit unions and opportunities to begin conversations with people who may benefit from membership now or in the future.

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I understand people need that immediate help: but we also need to encourage people to plan ahead.

Partner Reflection

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Where do we go from here?

This test of change delivered learning but less direct impact than we hoped. What is clear, is that low-income heating oil users in rural Scotland remain at a disadvantage in a number of ways, including not being able to spread the cost of their energy.

We call for Scottish and UK Governments to act to ensure that heating-oil users are better protected and supported. Through:

- Regulation to bring in a price cap mechanism to protect heating-oil users from market volatility (UK Government).
- Bringing in a social tariff that brings the costs of heating homes down for those on low incomes, or with unavoidably high energy use – and ensuring that this mechanism is designed to reach heating-oil users.
- Investing in clean heat and retrofit – prioritising off-grid areas for whole community retrofit programmes covering social and private renters and owner-occupiers.
- Delivering on the Scottish Government's commitment in the National Islands Plan to “*explore making credit available to heating oil users*”. Our learning has shown that a Government role in this will be key to success, and we recommend initiating a design process with the lived experience of low-income heating oil users at its heart.

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