

# Deferred Payments



## What is a Deferred Payment?

A Deferred Payment is designed to help you if you have to pay the full cost of your residential care but cannot afford to pay the full charge because most of your capital is tied up in your home.

We offer a loan and use your home as security. It is not the same as a conventional loan. We do not give you a fixed sum of money when you join the scheme. We pay an agreed part of your care home bill for as long as necessary, and you pay a weekly assessed amount towards your care from your income and other savings. We can either pay this directly to the Care Home or we can pay this directly to the Service User and they then pay the Care Home.

The part of your weekly care fees that you can't afford is your Deferred Payment and is paid by the Council. The debt builds up and is cleared when the money tied up in your home is realised. For many people this is done by selling their home, but you do not have to sell your home. You may, for example, rent it out to raise income and reduce the eventual debt.

## To apply for a Deferred Payment, you must:

- 1) have capital (excluding the property) of less than £23,250
- 2) be assessed by the Local Authority as requiring, and be entering **permanent**, residential/nursing care in a registered care home.
- 3) own or have part legal ownership of a property.
- 4) ensure your property is registered with the Land Registry (if it is not you must arrange for it to be registered at your own expense). Please note, the Council will not consider foreign properties or park homes as security as we are unable to secure a legal charge against these property types.
- 5) have a responsible person willing and able to ensure maintenance is carried out on the property to retain its value. You are liable for these expenses.
- 6) insure your property at your expense.

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- 7) be the sole owner of the property or, if the property is held in joint names, the other owners must agree to a legal charge on the property in favour of the council.
- 8) have mental capacity to agree to a Deferred Payment agreement or have a legally appointed agent willing to agree this.
- 9) pay your contribution regularly on time. If you do not, we may add this debt to the loan amount.

**Also:**

- The property must have been your main residence before going into residential/nursing care.
- There can be no other beneficial interests on the property, for example outstanding mortgages or equity release schemes, unless this is approved by us.

## Your agreement with us

To use Deferred Payments, you need to apply for and sign an agreement document. We then place a legal charge on your property to safeguard the loan. You are charged for this. The agreement covers the Council's and your responsibilities. Your responsibilities include insuring and maintaining your property.

We will allow you to keep up to £144 per week (inclusive of the Personal needs allowance of £28.25) of your income to cover expenses to maintain your home while you are in residential care. You can choose to keep a lower amount and reduce the overall debt.

You can end the agreement at any time, i.e. you may sell your home. The loan then becomes payable immediately. Otherwise the agreement ends on your death and the loan is payable 90 days later.

**The Council cannot cancel the agreement without your consent unless you do not adhere to the terms of the agreement**



## Advantages of Deferred Payments

Choosing Deferred Payments means you can continue to claim Attendance Allowance or, if you are under pensionable age, the care component of Disability Living Allowance or Personal Independence Payment whilst you are in residential care.

You may rent out your house and use part of the rental income to increase the amount you pay towards your care each week. This reduces your eventual Deferred Payment debt.

If you rent out your home, you may keep up to 20% of the rental income to spend as you wish.

You may choose a home that has a 'top up'. This is where the price is higher than the amount the Local Authority will pay for the Care. You may add the cost of the 'top up' payments to your Deferred Payment loan if the Council decides there is enough equity in your home to sustain the top-up during your placement.

The amount of the top-up will be reviewed at least Annually. The Care Home may also seek a change to the price at any time. If the change in price remains sustainable then it may be agreed. If not, then you will be notified to see if an alternative placement is required.

If the amount of equity in the property reduces and the top-up is no longer sustainable then an alternative placement may be needed.

'Top ups' for people not using Deferred Payments must be paid by somebody else for example, a family member and are called "Third-party top-ups".

## Costs with Deferred Payments

There is an initial set charge of £810.00. This includes legal costs, Land Search and Registry charges. There is also a £145.00 annual administration charge. Both costs can be added to the deferred amount or can be paid by you at the time they become due.

An additional charge may be made if it becomes necessary to revalue the property.

If you require more information with regards these charges, please contact us.



## Charging Interest

The loan has interest charged in the same way a normal bank loan. The interest rate is set by the Department of Health and is linked to the value of Gilts + 0.15%. This rate may change on 1st January and 1st July each year. For example, the interest rate at 1st January 2023 is 3.18% compounded daily.

You will receive twice yearly statements. These will show how your charge is calculated and what the outstanding sum on your deferred payment is.

Here is an illustration of how the amount you defer will accrue:

This is based on a weekly placement cost of £450.00 with payments of £180.00 per week being made by the Service User from their available income/capital; therefore, the weekly deferred cost is £270.00. An **example** fee of £700 and interest of 1.45% compounded daily is also included.

Week	Fees deferred to date	Admin costs	Cumulative Interest accrued	Balance outstanding at end of week
1	£270.00	£700.00	£0.24	£970.24
2	£1,240.00		£0.55	£1,240.55
3	£1,510.00		£0.94	£1,510.94
4	£1,780.00		£1.40	£1,781.40
12	£3,940.00		£7.82	£3947.82
24	£7,180.00		£26.49	£7,206.49
38	£10,960.00		£62.04	£11,022.04
52	£14,740.00		£113.07	£14,852.48
53	£15,135.00	£125.00	£116.68	£15,251.68

## Other options

- 1) You pay the full cost of your care from your available income and assets.
- 2) You may choose to rent out your property and use the income, any other income and capital to pay the full cost of your care. The advantages are:



- a) you do not accrue a debt
  - b) you are not liable for interest and administrative charges
  - c) your property is occupied
  - d) your tenant pays utilities and council tax
- 3) There are equity release products which may be suitable for you.

## Independent advice

**You should take independent financial and legal advice to help you decide which course of action will be financially better for you.**

For independent financial information and advice to help you choose the right care services go to <https://www.moneyhelper.org.uk/en/getting-help-and-advice/long-term-care-advice/get-financial-advice-on-how-to-fund-your-long-term-care#>

For information and advice on choosing a financial adviser contact Money Advice Service as above or contact The Society of Later Life Advisers (SOLLA) that specialises in retirement and later life at: [www.societyoflaterlifeadvisers.co.uk](http://www.societyoflaterlifeadvisers.co.uk) or tel: 0333 2020 454

## To apply

After taking independent advice, if you wish to apply please contact the Finance Team for a Deferred Payment Application form.

Acceptance of an application is at the discretion of the Council and depends on your ability to meet the criteria for entering the scheme.

## To find out more

This leaflet is intended to give an overview only of the Deferred Payments Scheme.

For more details or to discuss further please contact the Finance Team on:  
01275 888 777

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