

## 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 defer the payments to a later date. It is not the same as a conventional loan. We do not give you a fixed sum of money when you join the scheme. The Deferred Payment Agreement can take 2 forms:

- the local authority pays the care home or supported living accommodation directly and defers the charges due to it from the individual (traditional type)
- the individual pays the care provider for their care and the local authority loans them the cost of care in instalments less any contributions the individual contributes from other sources (loan type)

You pay a weekly assessed amount towards your care from your income and other savings.

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. We may consider other Capital Assets on a case-by-case basis.
- 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 contact us if you wish to discuss a discretionary deferred payment against another Capital Asset.
- 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.



- 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) be able to show clear ownership and valuation of any other Capital Asset.
- 9) have mental capacity to agree to a Deferred Payment agreement or have a legally appointed agent willing to agree this.
- 10) pay your contribution regularly on time. If you do not, we may add this debt to the loan amount.

**Also:**

- There can be no other beneficial interests on the property, for example outstanding mortgages or equity release schemes, unless this is approved by us.

We may, at our discretion, enter into deferred payment agreements with people whose care and support is provided in supported living accommodation. We will do this if you intend to retain your former home and pay the associated care and accommodation rental costs from your deferred payment. Further details on precisely what qualifies as supported living accommodation are set out in regulations. Deferred payment agreements cannot be entered into to finance mortgage payments on supported living accommodation.

If you are thinking of this option you are strongly advised to seek legal advice.

## **What responsibilities does the service user have?**

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. If we are unable to place a Legal Charge, we may look to secure the amount in another way, such as a Solicitor's Undertaking or Third-Party undertaking.

You are charged for this. The agreement covers the Council's and your responsibilities.

We will allow you to keep up to £144 per week (exclusive of the personal needs allowance of £30.65) 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 from 90 days later.

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

## **What are the advantages of a Deferred Payment?**

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".

## What will it cost?

There is an initial set charge of £925.00. This includes legal costs, Land Search and Registry charges. There is also a £165.00 annual administration charge. The charge may increase each year. Both costs can be added to the deferred amount or can be paid by you at the time they become due.

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

## Will I be charged 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 2024 is 4.5% 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: The property value is £250,000

Period		Total Contract Price	Service User Charge	FNC	Weekly Balance Due	Fees	Interest Rate Compounded daily	Interest due	Balance Due for Period
01-Jan-23	31-Mar-23	£1,019.71	£250.00	£219.71	£550.00	£810.00	3.18%	£34.48	£7,915.91
01-Apr-23	30-Jun-23	£1,069.71	£270.00	£219.71	£580.00	£0.00	3.18%	£93.30	£7,633.30
01-Jul-23	31-Dec-23	£1,069.71	£270.00	£219.71	£580.00	£0.00	3.43%	£404.47	£15,650.18
01-Jan-24	31-Mar-24	£1,069.71	£270.00	£219.71	£580.00	£145.00	4.50%	£396.54	£8,081.54

**Total  
Deferred**

**£39,280.93**

Loan to Value Ratio

**18.64%**

## **Are there any 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.

## **Can you give me further 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

## **How do I 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.

## **How do I 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