

Deferred Payment Scheme Information Sheet

What is the deferred payment scheme?

A deferred payment helps if you must pay the full cost of your residential care but can't afford to pay the full weekly charge because most of your capital is tied up in your home.

Under the scheme Derbyshire County Council can offer you a loan, known as a deferred payment, using your home as security. It isn't the same as a conventional loan as we don't give you a fixed sum of money when you join the scheme. Instead, we pay an agreed part of your care home bill for as long as necessary.

You pay a weekly contribution towards your care from your income and other savings and this is worked out by an assessment of your finances. Subject to affordability the council will pay the difference between your assessed weekly charge and the actual cost of your care in a residential or nursing care home. The amount paid by the council becomes the deferred payment.

The deferred payment builds up as a debt which is cleared when the money tied up in your home is released. For many people this is done by selling their home. If you qualify for a deferred payment, you don't have to sell your home during your lifetime if you don't want to.

You may for example, decide to keep your home for the rest of your life and repay the loan from your estate, or you may decide to rent it out to generate income which will help with your care fees.

To apply for a deferred payment, you must:

- have capital, excluding property, of less than £23,250 and your weekly income must be less than the full cost of the care home fees
- be assessed as requiring permanent residential/nursing care in a registered care home able to meet your needs
- be the sole owner of a property occupied as your main residence or, if the property is held in joint names, all co-owners must agree to a legal charge on the property in favour of the council
- ensure the property is registered with the Land Registry (if it isn't then you must arrange for this to be done at your own expense)
- allow the council to have the first legal charge on your property, unless otherwise agreed
- have mental capacity to consent to a deferred payment agreement or have a legally appointed representative willing to do this for you
- have sufficient equity in your home, equivalent to approximately 2 years funding, allowing for increases in care home fees
- be able to offer alternative assets against which the council may obtain robust security for any loan if it can't obtain the first legal charge against your property. The council isn't obliged to offer a deferred payment agreement where it isn't satisfied there is adequate equity or security. If for some reason you narrowly fail to meet the criteria for a deferred payment agreement, please talk to us to see if there is a way we can help you to access the scheme.

Whilst in the agreement you will need to:

- have a responsible person willing and able to ensure necessary maintenance is carried out on the property to retain its value; you are liable for any such expenses
- insure your property at your expense
- pay the contribution from your income regularly and on time; if you don't, we retain the right to add this debt to the loan amount
- ensure there are no other beneficial interests on the property, for example outstanding mortgages or equity release schemes, unless this is approved by us

Your agreement with Derbyshire County Council

If you decide to use the deferred payments scheme, you enter into a legal agreement with the council by signing an agreement document. We then place a legal charge on your property to safeguard the loan. The agreement covers both the responsibilities of the council and your own. It is your responsibility to insure and maintain your property.

Within the financial assessment you are entitled to retain an amount of your income to help with maintenance costs. This is called the disposable income allowance, and you could keep up to £144 of your income per week. It's important to remember that the amount which you retain from your income will increase your debt.

Prior to any agreement being made we will work through your finances with you to illustrate the effect of retaining a proportion of your income. This will help all parties in agreeing what is viable and what isn't.

You can end the agreement at any time, for example if you sell your home. The loan then becomes repayable immediately. Otherwise, the agreement ends on your death and the loan becomes payable no later than 90 days later and the property will have to be sold or the debt cleared from other funds.

If you access fully funded NHS Continuing Healthcare after the agreement is made and no longer have to contribute towards your care costs, then we will ask you to continue making payments from your income towards the existing debt but we won't end the agreement unless you ask us to.

Advantages of using the deferred payments scheme

Choosing to accept a deferred payment means you can delay paying a proportion of your care costs until such time as it suits you during your lifetime, or the debt can be repaid from your estate.

If you are liable for your own care costs you can continue to claim Attendance Allowance, or if you are under 65, the care component of Disability Living Allowance or Personal Independence Payment whilst you are in residential care.

You may also choose to rent out your house and use some or all the rental income to increase the amount you pay towards your care each week. This extra income will reduce the eventual deferred payment debt.

There may already be an agreement for a third party 'top up' where a family member or other person puts additional money towards your care. If you decide to use the deferred payments scheme, you can add the cost of the 'top up' payments to your loan if the council agrees there is enough equity in your home. This may give you more choice about your accommodation.

The government's rules say that 'top ups' for people not using the deferred payments scheme currently must be paid for by somebody else, for example, a member of their family. A deferred payment is currently the only way of paying the top up yourself without depending on a third party. However, you must carefully consider how you will pay any top up if your capital reduces to below £23,250.

If the council can't secure a legal charge against your property, it may consider allowing you to offer an alternative asset as security for obtaining a deferred payment agreement. Acceptance will depend on the value of the asset, the amount to be deferred and whether adequate security can be obtained.

Costs associated with the deferred payments scheme

Derbyshire County Council charges a fixed fee of £750 to cover all processing costs for setting up the loan including legal costs, Land Registry search fees and charges and the ongoing administration costs incurred throughout the lifetime of the loan.

At the time the agreement ends it will also cover the costs incurred in the removal of the legal charge from the property and associated Land Registry administration and legal fees. If you are unable to pay the £750 straight away, you can defer the fee and add it into your loan.

The council also retains the right to include additional costs, such as insurance premiums, on properties where no-one can arrange cover such as those managed under the council's deputyship scheme. The council may also arrange for a formal valuation of the property to be completed and may also recover these costs against the deferred payment agreement loan amount.

Where additional amounts are added into the loan, you will be notified in writing of these costs to allow you the opportunity to make alternative arrangements to clear the amount owing if you want.

Charging interest

The loan has interest charged on it in the same way a normal loan would. The maximum interest rate is fixed by the government. The rate is based on the cost of government borrowing and will be reviewed on 1st January and 1st July every year. The interest rate is currently 4.25% (January 2025) and is compounded on a weekly basis. Interest will apply from the day we begin to lend you money for care home fees and will continue until the debt is repaid in full.

Interest will also be chargeable against any additional amounts, such as the initial set up and deferred payment administration cost of £750, if funds are not available at the time of application. You will receive a statement every 6 months advising you how your charge is being calculated and what the outstanding sum on your deferred payment account is. This statement will also contain an illustration of how long your equity might last.

Other options

You may choose to rent out your property, which could give you enough additional income to cover the full cost of your care. There are advantages to this as you won't accrue a debt or be liable for interest and administrative charges and your property will be occupied. Your tenant will be paying utilities and council tax which will reduce your outgoings.

Even if the rental income does not cover the cost of your care in full, it could still be helpful in reducing the amount you require from your other resources and make funding your own care affordable. If funding your care independently isn't an option, then the rental income could still mean you accrue a smaller debt and reduce the claim made by the council when your property is sold or from your estate under a deferred payment agreement.

You may also choose to pay the full cost of your care from your available income and savings/assets; or a family member may choose to pay some or all of this for you. If this is an option for you then it may mean that you won't need to rely on a loan from the council to meet your care costs and there will be no need for a legal charge to be placed against your property.

There are also various products, such as immediate care plans or equity release schemes which may be suitable for your personal circumstances. Before deciding which course of action is the best one for you financially, you should take independent financial and legal advice to be sure that whatever you do with your capital allows you to meet your future care needs.

Independent advice

You can find independent financial advice in numerous ways. Some services provide free advice whilst others will make a charge for their advice.

You can find free information on paying for long term care via the Money Helper website and you can also find links to specialist care-fees advisers who will charge for their services via their website: moneyhelper.org.uk You can also telephone them on **0800 011 3797**.

Age UK publishes useful factsheets. You can find more information on their website ageuk.org.uk or by calling **0800 678 1602**.

The Citizens Advice Bureau offer advice via their website: adviceguide.org.uk or their telephone number is **0800 144 8848**.

Paying for Care is a not-for-profit organisation that helps people access expert information on all matters relating to care. In addition to free information and help you can also access specialist care fees financial advisers offering regulated financial advice through this organisation. Further information can be found on their website: payingforcare.org

You can also find independent financial advisers via Derbyshire County Council's Trusted Trader scheme. Inclusion of advisers on the list of Trusted Traders is not an endorsement of the advice they may provide, and you must ensure that you take adequate advice suitable for your circumstances prior to committing to any legal or financial agreement. You can find a trusted trader at: derbyshire.gov.uk/trusted-trader

To apply for a deferred payment Agreement

After taking independent advice, if you want to apply, please complete the deferred payment application form which you will have been provided with at the time of the financial assessment.

Alternatively, if you would like to speak to someone regarding finances, the financial assessment and charging team may be contacted using the numbers below:

- High Peak and North East Derbyshire areas: **01629 532 416**
- Bolsover and Chesterfield areas: **01629 532 445**
- Amber Valley and Derbyshire Dales areas: **01629 532 443**
- Erewash and South Derbyshire areas: **01629 532 439**

Acceptance of an application is at the discretion of the council and depends upon your ability to meet the qualifying criteria.

For more detailed information on paying for care please see our Paying for Residential Care Information sheet which can be found on our website at derbyshire.gov.uk/care-info or telephone Call Derbyshire on **01629 533 190**