

# Deferred Payment Scheme

This leaflet gives a guide to Derbyshire County Council's Deferred Payment Scheme



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## What is the Deferred Payment Scheme?

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A Deferred Payment helps if you have to pay the full cost of your residential care but cannot 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 is not the same as a conventional loan as we do not 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 do not have to sell your home 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.

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## To apply for a Deferred Payment you must:

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- Have capital, excluding property, of less than £23,250 (2020/21) 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 which is 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 is not 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 cannot obtain the first legal charge against your property. The council is not obliged to offer a Deferred Payment Agreement where it is not 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.

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## Whilst in the agreement you will also need to:

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- Have a responsible person willing and able to ensure that 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 your contribution regularly and on time; if you do not, 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.
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## Your agreement with Derbyshire County Council

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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 responsibilities. 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 for example. 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 is not.

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.

If you later access fully funded NHS Continuing Healthcare subsequent to the agreement being 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 will not end the agreement unless you ask us to.

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# Advantages of using the Deferred Payments Scheme

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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 of 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 have to 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.

If the Council cannot 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. This may give you additional choice in terms of accommodation and affordability. Acceptance will depend on the value of the asset, the amount to be deferred and whether adequate security can be obtained.



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# Costs associated with the Deferred Payments Scheme

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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 is able to 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 wish.

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## Charging interest

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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 1.05% and from 1st July 2020 which will be 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 six 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.



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## Other options

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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 will not 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 is not an option, then the rental income could still mean that 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 will not 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.



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# Independent advice

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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 Advice Service** and you can also find links to specialist care-fees advisers who will charge for their services via links from their website: [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk). You can also telephone them on 0300 500 5000.

**Age UK** publishes useful information leaflets including some on long term care and financial matters. Find more information on their website [www.ageuk.org.uk](http://www.ageuk.org.uk) or by calling 0800 169 6565.

**The Citizens Advice Bureau** offer advice via [www.adviceguide.org.uk/england](http://www.adviceguide.org.uk/england) You can contact the CAB Advice Line on 03444 111 444.

**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. [www.payingforcare.org](http://www.payingforcare.org)

You can also find independent financial advisers via **Derbyshire County Council's Trusted Trader scheme**. The Council publishes a leaflet on seeking independent financial advice which includes questions you may wish to ask of any adviser before deciding whether they are the best person to help you. You must ensure that you take adequate advice suitable for your circumstances prior to committing to any legal or financial agreement.  
[www.derbyshire.gov.uk/community/trusted\\_trader](http://www.derbyshire.gov.uk/community/trusted_trader)

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# To apply for a Deferred Payment Agreement

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After taking independent advice, if you wish to apply, please complete the Deferred Payment Application Form which you will have been provided with at the time of the financial assessment. Alternatively, please contact the Adult Care Finance Team to request a form or to discuss any aspect of Deferred Payments further. Contact numbers are shown below dependent on the area you live in.

- Amber Valley and South Derbyshire residents 01629 532140
- Chesterfield and Derbyshire Dales residents 01629 532153
- Bolsover and Erewash residents 01629 532445
- High Peak and North Derbyshire residents 01629 532125

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 leaflet **Paying for Residential Care** which can be found on our website at [www.derbyshire.gov.uk/carehomecharges](http://www.derbyshire.gov.uk/carehomecharges). You can also request a printed copy from Call Derbyshire on tel: 01629 533190.

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# Further Information

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Derbyshire County Council Adult Care department produces a range of information about its services and those provided by other organisations in the community. We provide information leaflets on a range of topics that can be downloaded or ordered from our website at [www.derbyshire.gov.uk/careinfo](http://www.derbyshire.gov.uk/careinfo), obtained from our staff, at a local area office or library.

Leaflets available include:

- Guide to Adult Social Care - how we work and what we provide
- Guide to Carers Services - support, advice and information for carers
- Independent financial advice - how and where to find reliable professional advice
- Co-funding leaflet - paying for non-residential care
- Paying for Residential Care - how financial contributions are calculated
- Guide to First Contact - signposting to services and support
- Putting People First - comments, compliments and complaints
- Guide to Handy Van Services - practical help in your home.

Leaflets are available in standard, large print and Easy Read versions and upon request in other formats such as Braille or alternate languages. We also have videos, including BSL conversions on our YouTube channel at [www.youtube.com/derbyshirecc](http://www.youtube.com/derbyshirecc). The Adult Care Information Promise, a FACT you can rely on. We promise to provide you with:



**Free** information  
**Accurate** information  
**Clear** information  
**Trustworthy** information

If you think we have broken our FACT promise, please let us know so we can make improvements.

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