

Deferred Payments

Information for people moving into permanent residential or nursing care who own property



The Deferred Payment Scheme is designed to help you if you have been assessed as having to pay the full cost of your residential or nursing care, but cannot afford to pay the full weekly charge because most of your capital is tied up in your home



Walsall Council

Introduction

If you are assessed as being eligible for permanent residential or nursing care, you can pay for your care in a number of ways. If you own your own home you can use the value of your property to defer or delay paying the full costs until a later date. This is known as a Deferred Payment Agreement.

This leaflet explains about deferred payment agreements. It would be useful to read this leaflet in conjunction with our information about 'Paying to live in a care home'.

What is a Deferred Payment Agreement?

Deferred payment agreements are designed to prevent people from being forced to sell their home in their lifetime to meet the cost of their care. A deferred payment agreement is a legal contract between you and the Council. The Council has a duty to offer deferred payment agreements to people who meet certain criteria governing eligibility for the scheme as shown below.

Walsall Council has discretion to offer deferred payments if you do not meet the criteria, for example if you have slightly more savings than the capital threshold.

It is important to note that entering into an agreement means your debt will be deferred not written off.

Effectively the scheme offers you a loan from Walsall Council, using your home as security. It doesn't work in exactly the same way as a conventional loan – you won't receive a fixed sum of money when you join the scheme - but instead Walsall Council will pay an agreed part of your weekly care support bill on your behalf, which you (or someone on your behalf) will have to repay at a later date.

You will still need to pay an assessed weekly contribution towards your care. The amount you pay will depend on the amount you are assessed as being able to pay from your income and other savings.

The part the Council pays is your 'Deferred Payment'. The deferred payment builds up as a debt which is cleared when the money tied up in your home is released. A deferral can last until your death, but many people choose to use a deferred payment agreement as a 'bridging loan' to give them time and flexibility to sell their home when they choose to do so.

You may want to rent out your property to generate income. If you do this, you will be expected to use the rental income to increase the amount you pay each week, thus reducing the weekly payments made by the Council and minimising the eventual deferred payment debt.

The Care Act 2014 requires the Council to obtain adequate security for the repayment of any amount outstanding under a deferred payment agreement. The best form of security is a first legal charge on a property but in some cases where a first legal charge cannot be secured, we will give consideration to a subsequent legal charge if we are satisfied that it would provide adequate security for the amount deferred.

To be eligible for the Deferred Payment Scheme you must:

- Have capital (excluding the property) of less than £23,250;
- Be professionally assessed as requiring and be entering permanent residential or nursing care in a registered care home; and
- Have mental capacity to agree to a Deferred Payment Agreement or have a legally appointed representative willing to agree this

With regards to the property, the following rules apply:

- You must own or have part legal ownership of a property, which is not benefitting from a property disregard (for example, the property is not occupied by a spouse or a dependent relative);
- If the agreement is to be secured on a jointly-owned property, we will need all owners' consent to a charge being placed on the property;
- You must ensure your property is registered with the Land Registry (if the property is not, we will support you in arranging for this to be done);

- There can be no other beneficial interests on the property, for example outstanding mortgages or equity release schemes, unless this is approved by Walsall Council; and
- If you own a property and also own land, we may consider putting the charge against your land if you would prefer

Whilst in the agreement you will also need to:

- 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; and
- Pay your client contribution on the agreed date, if you fail to pay the client contribution on a regular basis the council reserves the right to add this debt to the loan amount

How much can I defer?

The amount of the deferred payment will be determined by your care and support costs and the amount you are contributing towards that care and support from other sources, such as your income.

As mentioned above the Council is required to ensure that adequate security is obtained for the repayment of any amount outstanding under the deferred payment agreement. During the period of the deferred payment agreement the Council will therefore need to consider the amount of equity available in the property.

The Care Act 2014 guidance recommends setting a maximum amount that people can defer as a loan against the property they own. We will therefore need an independent valuation of the property, to be submitted with your application. If you are unable to arrange this yourselves, Walsall Council may support you in arranging for this to be done. Your equity limit will be set at the value of your share in the property less 10% less £14,250 (in line with the current DWP lower capital limit). So, for example, if your property is valued at £100,000 we will offer a deferred payment up to the value of £75,750.

Costs associated with the Deferred Payments Scheme

Walsall Council will recover relevant costs associated with deferred payment agreements. Relevant costs will include (but are not limited to) valuation fees, Land Registry fees, legal costs and administration costs. These costs can be added to the amount deferred or paid for separately if you choose.

These charges are to cover the costs we incur in setting up and administering your deferred payment agreement and not to make a profit. Full details of the charges can be found on Walsall Council internet pages.

Interest Charges

The loan will also have interest charged on it in the same way a normal loan would be charged on money borrowed from a bank. The interest will apply from the day you enter into the Deferred Payment Scheme.

The maximum interest rate that will be charged is fixed by the Government. Currently the maximum rate to be charged is based on the cost of government borrowing, and may change on 1st January and 1st July every year.

The current chargeable interest rate can be found on our internet pages.

What happens if I decide I want to apply for a Deferred Payment?

After taking independent advice, if you decide to apply for a deferred payment agreement, you will need to sign and return the application form, together with an independent valuation of the property.

Once the value of your property is established, the Council will prepare a personalised illustration of how much you can borrow and how long the Council can defer charges for you. You or your legal representative will then need to sign the agreement confirming that you wish to take advantage of the Deferred Payment Scheme and that all implications have been explained.

Acceptance of any application under the Scheme is subject to you meeting the criteria for entering the Scheme, and the Council being able to obtain security in your property.

Walsall Council has discretion to refuse applications for deferred payments under certain circumstances, for example, if your property is uninsurable.

Your agreement with the Council

If you decide to use the Deferred Payments Scheme, you enter into a legal agreement with the Council by signing an agreement document. The Council then places what is called a 'legal charge' on your property to safeguard the loan.

The agreement covers both the responsibilities of the Council and your responsibilities, one of which is to make sure that your home is adequately insured and maintained.

Within the financial assessment you are entitled to retain an amount of your income to help with maintenance costs. Therefore if you incur expenses in maintaining your home while you are in residential or nursing care, these will be allowed for in the amount you are assessed as contributing each week from your capital and income. It should be noted that the amount which you retain from your income to help to pay for these running costs will increase your debt.

You can end the agreement at any time, for example, if you sell your home, and the loan then becomes payable immediately. Otherwise the agreement ends on your death and the loan becomes payable within 90 days.

We will send you an itemised statement every year as a minimum - this will advise you how your charge is being calculated and what the outstanding sum on your deferred payment account is.

Other options

You do not have to enter into the Deferred Payment Scheme. You may choose to pay the full cost of your care from your available income, savings and assets; or a family member or legal representative may choose to pay some or all of this for you.

If you choose not to have a Deferred Payment Agreement you will be classed as self funding and will have to pay for your own care fees. The Council agrees its own fees with Care Providers, therefore the fee that you pay may be more than the agreed fee between the Council and the Provider.

You may choose to rent out your property, which could give you enough income to cover the full cost of your care. There are advantages to this as you will not need a loan, 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.

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

Contact details

If you require further information or wish to apply for a Deferred Payment Agreement, please contact the Financial Assessment and Charging Team (FACT) by email FACT@walsall.gov.uk

If you would like this information in another language or format, please contact the Adult Social Care Access team on 0300 5552922.

