Sunderland
City Council

A guide to the deferred payment scheme

Introduction

The introduction of the Care Act 2014 in April 2015 meant that councils had a legal requirement to offer deferred payment agreements where someone meets the appropriate criteria. This means that you should not have to sell your home to pay for care in your lifetime.

What is a deferred payment?

The deferred payment scheme is a financial arrangement with the council which enables you to use the value of your home to help pay your care costs.

It has been designed to help you if you have been assessed as having to pay the full cost of your care and want to avoid selling your home to pay for this.

You can delay repaying us until you choose to sell your home, otherwise the agreement ends following your death and the loan becomes payable within 90 days.

Will I be eligible for a deferred payment?

If you decide to apply for a deferred payment, you must meet the following criteria to qualify for the scheme:

- You have less than £23,250 in capital savings and investments (but excluding your former home)
- You have been assessed as having eligible social care needs by your social worker
- You own or partially own and have a beneficial interest in the property
- We can place a legal charge on your property (similar to a mortgage)
- Your home is registered in your name with the Land Registry (if it is not, you must pay for it to be registered)
- Your home has no other debts secured against it (other than a mortgage);
- You have the mental capacity to agree to a deferred payment, or have someone legally acting on your behalf that can do this for you.

A full copy of the scheme is available online or can be requested should you wish to read it in more detail.

How does the scheme work?

Following a financial assessment we may be able to offer you a loan, using your home as security. This doesn't work in the same way as a conventional loan. Instead of giving you a fixed sum of money up front when you join the scheme, the council will regularly pay an agreed amount. This amount is to be used to pay towards your care for as long as is necessary.

The scheme will cover any services you receive, where the value of your home has been used to assess your ability to pay. This includes residential or nursing care and some non-residential care (provided you are not living in your home).

Once the agreement is made, you must:

- Make sure that your home is looked after so that it does not reduce in value;
- Pay to have your home insured appropriately for the circumstances; and
- Pay the financial contribution you have been assessed to pay, whilst the council is paying the difference.

Does the council have to agree to a deferred payment?

No, the council may refuse the request for a deferred payment agreement, even if you meet the criteria where:

- The council is unable to secure a first legal charge on your property;
- You are seeking a top-up that is unsustainable and/or
- You do not agree to the terms and conditions of the deferred payment agreement.

What happens if I am refused a deferred payment?

The value of your home will still be included in your financial assessment and you will be charged for the full cost of your care. If this happens or you would prefer not to use a deferred payment, there are other options available, including;

- Renting out your home, which might give you the income to cover the full cost of your care;
- An equity release product that could suit your personal circumstances;
- Paying the full cost of your care from your available income and savings; or
- Asking a family member to help pay the full cost of your care

How much can I defer?

We will work out how much equity is in your home and how long it would be expected to last, up to the equity limit. This is determined by the value of your home, less 10%, minus £14,250. This is how much you can defer up to and provides you and the council with protection from any fluctuation in property prices.

The council will also allow you to retain a proportion of your income which is known as the 'disposable income allowance' up to a maximum of £144 per week. However, if you decide to take this amount, this will increase the amount you deferred against the sale of the property.

House value £150,000

- 10% selling costs

- £14,250 lower capital limit

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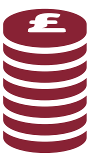

Equity limit £120,750

Can I choose to defer the costs of a more expensive care home?

Yes, this is known as a top-up. If you choose a home that is more expensive than the council is willing to pay, you can request that the difference be added to your deferred amount. This will be considered, provided the additional costs are affordable within the value of your home.

Do I have to pay any care costs now if a deferred payment is agreed?

Yes, through your financial assessment we will tell you how much of your weekly care costs you can afford to pay from your income, benefits and other capital and how much we will allow you to include in your deferred payment.

Will I be charged interest?

Yes, the loan will have interest charged on it in the same way a loan would be charged on money borrowed from a bank. The interest rate is fixed by government and will change on 1 January and 1 July every year. Interest will apply from the day you enter the payment scheme and continue to accrue until the deferred amount is repaid.

Are there any additional costs for the scheme?

Yes, there is a one off set up fee, which includes Legal & Land Registry costs and administration charges. This can be paid upfront or added to your deferred payment account and paid when the account is settled.

There will also be an annual charge for the administration costs linked to the annual review of the Deferred Payment Agreement. This will be added to the Deferred Payment account on the each anniversary of the agreement set-up.

For current charges applicable please refer to the scheme policy document on the councils deferred payment web page or ask the financial assessment officer when you discuss the scheme.

What are the advantages of a deferred payment?

The main advantage of the Deferred Payment Scheme is that you do not have to sell your home during your lifetime to pay for your care. Your care costs can be deferred and paid from the sale of your property or from your estate following your death.

You can also add the cost of any 'top up' costs to your Deferred Payments Scheme loan, if the council agrees that there is enough equity in your home. 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 – so a deferred payment is currently the only way of paying the top up yourself without depending on a third party.

Anyone with a Deferred Payment Agreement is able to increase their Personal Expense Allowance up to £144 per week, if they choose to cover the expense of maintaining their property. It should be borne in mind that the larger the Personal Expense Allowance retained, the greater the amount that will be deferred which will need to be recovered when the property is sold and this will also increase the amount of interest charged. Where the deferred payment is ended or frozen the amount will revert back to the lower statutory amount (currently £24.90).

What are the disadvantages of the deferred payments ?

By not selling your property you will probably not qualify for as much Pension Credit/other means tested benefits which will increase the amount of the loan but you may qualify for Attendance Allowance/ Disability Living Allowance/Personal Independence Payment.

You will need to ensure that your property is adequately insured and maintained including gardens and outbuildings.

We strongly advise that you should seek independent financial and legal advice to help you decide which option would be better for you.

How do I know how much I owe?

We will send you a statement, once every six months, showing the outstanding amount on your deferred payment account.

When must the loan be repaid?

You can choose to end the agreement at any time (for example, if you choose to sell your home) - the loan then becomes payable immediately.

Otherwise the agreement will end on your death, payment can either be made by the estate if monies available of following the sale of any property. Where payment of any amount owed is to wait until your property is sold, the estate will be required to ensure the following is carried out:

- Submit a valuation and place the property on the market within three months
- Where the property is not sold within six months, consider whether the property is marketed correctly which could include reviewing the asking price or the estate agent
- Where the property is not sold within 12 months, the estate is required to pay the amount owing in full, this could be either by putting the property up for auction or by the beneficiaries of the estate paying the amount due.

Need more information?

For more information on your financial assessment or the deferred payment scheme please call 0191 520 5552 or contact your financial assessment officer or visit: www.sunderland.gov.uk/financialassessments

Notes