This is your guide to

Deferred Payment Agreements for Social Care

About this guide

This guide explains about deferred payment agreements. It will help you to understand what a deferred payment agreement is and will help you decide whether or not setting one up is the right decision for you.

If you are thinking about asking for a deferred payment agreement, you may find it helpful to speak to an independent financial advisor about the different options for funding long term care.

What is a deferred payment agreement?

A deferred payment agreement is a legal agreement between you and the Council that allows you to delay paying some or all of your residential care or extra care costs until a later date.

It is designed to help you if:

- You have been assessed as having to pay the full cost of your care because of the value of your property.
- You cannot afford to pay the full weekly charge because most of your capital is tied up in your home.

If you enter into a deferred payment agreement, you will be borrowing money from the Council, much like having a loan or a mortgage. But it doesn't work in exactly the same way as a normal loan – the Council doesn't give you a fixed sum of money when you join the scheme but pays for an agreed part of your weekly care and support bill for as long as is necessary.

The amount that you borrow from us will be secured against your property. This means that it is repaid in full when your property is sold. This could be either be when you choose to sell your home or paid from your estate after your death.

You can also pay the debt back from another source if you want to, for example someone else can pay the debt off for you.

Take Independent Advice

A deferred payment agreement is only one way to pay for care. An independent financial advisor can give you advice about how to fund your long-term care. They may charge you a fee for providing this service.

The Government has set up a money advice website that gives you more information about paying for care. This website also explains what an independent care-fees adviser can do for you, how they are paid and how to go about choosing one that's right for you.

The website is available at www.moneyadviceservice.org.uk

Who can apply for a deferred payment agreement?

In order to apply for a deferred payment agreement, you must:

- Have had your needs assessed and it has been determined that your needs can only be met in either permanent residential, nursing care or in an extra care tenancy.
- Have savings and investments that are worth less than £23,250.
- Own or have part legal ownership of a property, that has not been taken into account, when we assess how much you need to contribute towards the cost of your care.
- Have mental capacity to agree to a deferred payment agreement or have someone who is legally appointed to make financial decisions on your behalf.
- Ensure your property is registered with the Land Registry (if the property is not, you must arrange for it to be registered at your own expense).
- Obtain written permission from the lender where there are other beneficial interests on the property, for example outstanding mortgages or equity release schemes.

How does a deferred payment agreement work?

We will use the information that you give us in your financial assessment to work out what you can afford to pay towards your care. This will be based on your regular income, savings, investments and the value of your property.

You will pay the part of your weekly contribution towards your care that is based on your regular income, savings and investments.

The Council will pay the part of your weekly charge that you can't afford until you sell your home. The amount the Council pays is your 'Deferred Payment'.

The scheme offers you a loan from the Council using your home as security. This means that the loan will be repaid when your home is sold. However, you do not have to sell your home straight away if you don't want to. You may, for example, decide to keep your home for the rest of your life and repay out of your estate, or you may want to rent out the property to generate income. If you do this, you will be expected to use the rental income to increase the amount you pay towards your care each week. This will reduce the weekly payments made by the Council and reduce the amount of money that you owe.

How much can I defer?

The amount you can defer will depend on the value of your home. As a guide, most people can use around 70-90% of the equity available in their home. This is called your 'equity limit.'

The equity limit is to protect you from not having enough money to pay sale costs of the property (like solicitor's fees). It also protects the Council against any drop-in housing prices and the risk that we may not get all of the money back. We will review the value of your home at least every two years.

Will a deferred payment agreement cost me anything?

Yes – the Council charges a one-off fee that pays for the legal and administrative cost of setting up and managing your deferred payment. If you do not want to pay this fee up front, you can ask for it to be included in the amount that you defer.

The Council will ask you to provide an independent valuation of your property before the agreement starts. You will be responsible for paying the cost of this valuation. We also recommend that you seek legal advice before signing the Deferred Payment Agreement. You will be responsible for paying your own legal costs.

The deferred payment agreement loan will have interest charged on it in the same way as money borrowed from a bank. The interest will apply from the day you enter into the Deferred Payment Scheme. The Council will charge the maximum interest rate that is allowed by the government. The maximum amount is reviewed by the government twice a year.

Interest will be added every six months on a compound basis. This means that you will pay interest on the amount you have borrowed, plus any interest that has built up. You will receive a statement every 6 months advising you how your interest charge is being calculated and what the outstanding sum on your deferred payment account is. All fees and charges for deferred payments can be found on our website under 'Paying for Care and Support'. We will also write to you to confirm the fees and charges that will apply if you decide to take out a deferred payment agreement.

Compound Interest Explained

Mr Smith defers £10,000 with an interest rate of 2%. After 6 months, the interest charged on the £10,000 will be £200 (2% of 10,000). This means that Mr Smith will now owe £10, 200 (£10,000 plus the £200 interest). Over the next 6 months, interest will be charged on the full £10,200 so this time, the interest will be £204 (2% of £10,200). So, the amount Mr Smith owes after 1 year will be £10,404 (the original£10,000 plus £200 for the first 6 months' interest, plus £204 for the next 6 months 'interest). And so on and so on until the loan is repaid.

Can anyone live in my home if I have a deferred payment agreement?

Yes – and there are benefits to keeping your home occupied. It must be maintained and insured for as long as you have the deferred payment agreement, and this can be cheaper and/or easier if someone is living there. You might choose to rent it out and use the rental income to reduce the amount you asked the council to defer.

Will I have to sign up to anything?

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. This means that the debt will be repaid when the property is sold.

The deferred payment agreement covers both the responsibilities of the Council and your responsibilities. One of your responsibilities will be to make sure that your home is insured and maintained. You will be responsible for paying any costs associated with this, but they will be allowed for in the amount that you are assessed as having to contribute each week from your capital and income.

You or your representative will also be responsible for telling the Council about any changes in your financial circumstances.

Can I use a deferred payment agreement to "top up" my care?

A top up is where you or someone else puts additional money towards your care to pay for residential/nursing accommodation that costs more than the amount that the Council has agreed to pay for a standard room. For example, a top up could be used to pay for a bigger room, or a room with a nicer view.

Government rules say that if the Council has arranged for your residential placement, and you do not have a deferred payment agreement, any top ups must be paid for by a third party, such as a family member. This means that you cannot use your own money to top up your placement.

However, if you choose a deferred payment agreement, and there is already an arrangement in place for someone to top up your placement, you can add the 'top- up' to the amount you defer (as long as it is within your equity limit). This means that you do not have to rely on anyone else to pay the top up for you.

Can the Council stop deferring my charges?

There are some circumstances where the Council can stop deferring your charges. Examples include:

- ✓ If your assets fall to a level where you become eligible for Council support to pay for your care.
- ✓ If you no longer need care in a care home or supported living accommodation.
- ✓ If you breach your contract with us.
- ✓ If circumstances change and the Council agrees that your property, no longer needs to be taken into account when working out how much you have to contribute.
- ✓ When you reach your equity limit (the maximum amount that we agree you can defer).

If we decide to stop deferring your charges, we will give you at least 30 days' notice and will talk to you about how your care fees will be paid in the future. We will not demand immediate repayment of the amount you have deferred, but the amount will need to be repaid when your property is sold.

What happens if I want to end the agreement?

If you want to end the agreement you will need to repay the full amount that you owe. You can do this by either selling your property, or by paying the money from another source. If you repay the money you owe without having to sell your property, the Council will remove the legal charge on your property. This means that if you sell your property at a later date, no money will be owed to the Council. We will also reassess your finances to see if this affects how much you need to contribute towards your care. If you decide to end the agreement, there will be a small administration charge to cover to cost of removing the legal charge from your property.

If you do not repay the loan during your lifetime, the agreement ends on your death and the loan becomes payable 90 days later. The executor of your will or Administrator of the Estate will have to decide how to repay the loan.

If the loan is not repaid for any reason, the Council will take reasonable steps to recover the debt. Wherever possible we will try to come to an agreement with you, your representative or your executor about how the debt will be repaid. If this is not possible, we may take court action.

What other options could I consider?

A deferred payment agreement is only one way to pay for care. An independent financial advisor can give you advice about how to fund your long-term care. They may charge a fee for providing this service.

The Government has set up a Money Advice Service website that gives you more information about paying for care. This website also explains what an independent care- fees adviser can do for you, how they are paid and how to go about choosing one that’s right for you. The website is available at www.moneyadviceservice.org.uk

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

When do I have to decide whether I want a deferred payment agreement?

If your care and support needs will be met by permanent or long term residential or nursing care, the capital value of your property will usually be disregarded for the first 12 weeks of your stay. This means we will not take it into account when working out how much you have to contribute towards your care and support.

This 12-week disregard period will give you or your representatives time to think about the best way to pay for your care and support. After the 12 weeks, the value of your property will be taken into account, and this will increase the amount that you will need to contribute. This means that the best time for you to decide whether or not you want a deferred payment agreement is during these first 12 weeks. This disregard period will not apply if you have spent more than 12 weeks in care before the council funding begins.

Can the Council refuse to give me a deferred payment agreement?

The Council can refuse to give you a deferred payment agreement if:

- We cannot secure a first legal charge on your property.

- The property that you are offering as security cannot be insured.
- You do not agree to the terms and conditions of the agreement.

If we refuse to give you a deferred payment agreement, we will write to you to explain the reasons why.

What if the person needing care does not have capacity to make a decision about a deferred payment agreement?

Carers and families can help people to make decisions about their care and how to pay for it. If the person applying for the deferred payment agreement does not have the capacity to understand or won't have capacity to understand in the near future, then another person may need to represent them. This must be someone who has legal authority to make financial decisions on their behalf.

Types of authority include:

- Court of Protection Appointed Deputy for Property and Financial Affairs with power over property.
- Power of Attorney for Property and Financial Affairs.

You must be able to prove that you are legally entitled to make decisions on the other person's behalf. Without evidence of this legal authority, the Council will be unable to set up a deferred payment agreement. More information about making financial decisions on behalf of someone who is unable to do so themselves can be found at www.gov.uk or www.moneyadviceservice.org.uk.

If the Council has been appointed as Deputy for the person needing care, we will make a decision about whether or not it is in their best interest to enter into a deferred payment agreement.

How do I apply for a deferred payment agreement?

Once you have provided information for your financial assessment we will write to you to tell you how much you have to contribute towards your care and when you have to start paying. We will also tell you if you are eligible to apply for a deferred payment agreement and will enclose a form for you to complete and return to us.

Once you have asked for a deferred payment agreement we will aim to have the agreement in place within 8 weeks.

What if I am not happy with the support I receive or a decision that is made?

If you are unhappy about decisions which affect you or the support you receive, please speak to a member of staff or your social worker/care manager. Problems can often be resolved quickly and informally by talking things over.

If you are still unhappy or feel your concerns have not been resolved there is a formal procedure which we will follow. You can find our Complaints, Comments and Compliments procedure on www.redcar-cleveland.gov.uk or use the contact details at the end of this guide.

For more information about deferred payment agreements you can contact the Financial Assessment Team on 01642 771659.

Adult Social Care Contact Details

Address: Directorate of Adults & Communities Adult Social Care
Redcar and Cleveland Borough Council Seafield House
Kirkleatham Street
Redcar, Yorkshire
TS10 1SP

Telephone: 01642 771500
Email: contactus@redcar-cleveland.gov.uk
Website: www.redcar-cleveland.gov.uk

Our normal office hours are:

Monday to Thursday: 8.30 am - 5.00 pm
Friday: 8.30 am - 4.30 pm

If you need help in emergency when our offices are closed, you can contact the **Emergency Duty Team:** Telephone: **01642 524552.**

Version 5 – April 2022