DEFERRED PAYMENTS

FREQUENTLY ASKED QUESTIONS

What is a deferred payment agreement?
A deferred payment agreement is an arrangement with the Council that will enable you to use the value of your home to help pay care home costs. If you are eligible, we will help to pay your care home bills on your behalf. You can delay repaying us until you choose to sell your home, or until after your death. We will put a legal charge on your property which means that it cannot be sold until the debt to us has been repaid.

A deferred payment agreement is only one way to pay for care. You can get independent advice through an independent financial adviser, who may charge a fee. Central Bedfordshire Council does not endorse any independent financial advisers however the Government have set up a Money Advices Service website.

The Agreement
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. You will be charged for this expense.

The agreement covers both the responsibilities of the Council and your responsibilities, one of which is to make sure that your home is insured and maintained. If you incur expenses in maintaining your home while you are in residential or nursing care, these will be allowed for in the amount that you are assessed as contributing each week from your capital and income up to a maximum of £144.00 per week.

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 90 days later.

The Council cannot cancel the agreement without your consent.

When does the deferred payment start?
The deferred payment would start from the 13th week of your permanent admission to residential or nursing care. If you have been self-funding this will be the start date of care and not the date of funding. During the first 12 weeks of your stay, you will pay a contribution towards the cost of your care, but we do not include the value of your home in your capital.

Week 13
At week 13, the full cost of your care will be the market rate that you have negotiated with the care home. At week 13 you will be invoiced for the full cost of your care fees if there is not a Deferred Payment Agreement in place. It is your responsibility to pay the full cost of your care and Court action may be taken if you fail to pay without good reason.

If Central Bedfordshire Council are invoicing at full cost this will incur set up fees, annual administration charges and daily compound interest on any outstanding debt, the same as you would for a Deferred Payment application.

How much does a deferred payment cost?
We will recoup the administrative costs associated with deferred payment agreements, including legal and ongoing running costs via administration charges which will be passed on to you. Administration charges can be added to the total amount deferred as they accrue, although you may ask to pay these separately if you choose.

We will charge interest on any amount deferred to help cover the cost of lending, and the interest rate must not exceed the maximum amount specified in regulations. The national maximum interest rate will change every six months on 1st January and 1st July each year.

Interest will be added on a compound basis and will continue to accrue on the amount deferred even once you've reached the equity limit. It will also accrue after you've died up until the deferred amount is repaid to the Council.

Who is eligible for a deferred payment agreement?
Deferred payment agreements will suit some people's circumstances better than others' and not everyone will be eligible. You should be eligible for a deferred payment agreement if:

- you're assessed as having eligible needs which we decide should be met through a care home placement.
- you own your own home (unless your partner or certain others live there)
- you have savings and investments of less than or equal to £23,250 (not including the value of your home or your pension pot)
- you're able to provide security for the debt, usually in the form of a land registry charge on your property, and
- you have mental capacity to agree to a deferred payment agreement or have a legally appointed agent willing to agree this.

We may refuse a deferred payment agreement despite someone meeting the eligibility criteria where:

- we are unable to secure a first legal charge on your property and / or
- you do not accept the terms and conditions of the agreement.

The Residential Financial Assessors within our Customer Finance team will be able to provide advice around your own circumstances and whether you might be eligible for a deferred payment agreement. (0300 300 8303)

How do I apply for a deferred payment agreement?
When you have been assessed as having eligible needs which we decide should be met through a care home placement, you will need to complete a Deferred Payment Application form (DPA form). The information provided on the DPA form will be used in conjunction with the other financial information you will have been asked to provide to determine whether you are eligible.

How much can I defer?
The amount you can defer will depend on the value of your home, which determines your 'equity limit'. As a guide, most people can use around 80-90% of the equity available in their home. The limit on equity is to protect you from not having enough money to pay sale costs of the property (like solicitor's fees,) and to protect the

Council against a drop in housing prices and the risk that we may not get all of the money back.

We will provide a statement of all fees and charges deferred every six months, and will review the value of your home annually or as required.

When would the Council stop deferring any further residential or nursing fees?
We will stop deferring any further fees when you qualify for Council support in paying for your care, or when you have reached your equity limit. However, interest and administration charges will continue to be added to the amount outstanding until everything has been paid back.

We have a maximum funding level for different services and assessed levels of need. This means we will only pay up to a maximum amount for your residential or nursing home. If the home costs more than the limit we can pay, government rules mean someone else must pay the extra. This is known as a 'third party top up' and must come from a third party, for example, family members, charities or friends. If someone agrees to pay a top up for your care, they must continue to pay this during the time you are in the care home.

It is important to remember that the care home can ask you to move if it isn't paid, and we cannot pay it for you. We would recommend that the third party topping up your care fees seeks specialist information and advice and explores all the financial options.

When will I have to repay the deferred payment agreement?
You can sell your home and repay the deferred payment agreement at any point. Or you can have a deferred payment agreement for the full length of your stay in a care home and pay it back out of your estate, following your death.

What if my husband/wife/civil partner lives in my house?
If you need care in a care home but your partner lives in your own home then the Council will consider your partner's circumstances as well as your own. Depending on your partner's circumstances, we may decide to exclude the value of your home when we assess your finances to work out how much you will have to pay towards the costs of your care. This means that you will not face having to sell your home to pay for care and will not need a deferred payment agreement.

If your partner has circumstances that mean the Council decides that the value of your home is not excluded, you should still be able get a deferred payment agreement, provided your partner is willing to sign the agreement too.

Who will live in my home if I have a deferred payment agreement?
This is up to you – though 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 income to reduce the amount you asked the Council to defer.

Can I still get a deferred payment agreement if I have gifted money or my home to my children?
Your home and your money still belong to you if you have a deferred payment agreement, so you can of course make gifts to your children. The gifts will still form part of the financial assessment as notional capital. A deferred payment agreement for care costs will always need to be repaid – either by the sale of your home after

your death, by someone else, or by something like the pay-out from a life assurance policy.

Who will value my home?
You will be asked to provide two independent property valuations. You can also request an independent valuation if you disagree with our valuation of your beneficial interest in the property.

What will happen to my home after my death?
The executor of your estate should arrange repayment of the money owed to the Council, either by putting your home up for sale, or by arranging for another person, such as your heir, to pay. This will usually need to be done within 90 days. If the money owed is repaid without your home being sold, then your property will be dealt with according to any instructions you have left.

If payment is not received within 90 days, and we do not see active steps being taken to repay the debt, we may enter into legal proceedings to claim the money due.

Can a family member apply for a deferred payment agreement if a person needing care has dementia or does not have the capacity to understand?
Carers and families can help people to make decisions about their care and how to pay for it. If we are concerned that 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. Only a person that is properly authorised, like someone with legal power of attorney, can represent someone in applying for a deferred payment agreement.

Legal representation
Lasting Power of Attorney
A lasting power of attorney (LPA) is a legal document that lets you (the 'donor') appoint one or more people (known as 'attorneys') to help you make decisions or make decisions on your behalf.

This gives you more control over what happens to you if, for example, you have an accident or an illness and can't make decisions at the time they need to be made (you 'lack mental capacity'). More information and application forms can be found at **https://www.gov.uk/power-of-attorney/overview**

Deputyship
You can apply to become someone's deputy if they 'lack mental capacity' – this means they can't make a decision for themselves at the time it needs to be made. They may still be able to make decisions for themselves at certain times.

People may lack mental capacity because, for example:

- they've had a serious brain injury or illness
- they have dementia

More information and application forms can be found at **https://www.gov.uk/become-deputy**

What other forms of security do you accept?
The Council must have adequate security in place when entering into a Deferred Payment Agreement. We have discretion to consider what else may be considered as 'adequate security and will consider the merits of each case individually. Other forms of security might include:

- A third party guarantor – this is dependent to the guarantor having / offering an appropriate form of security.
- A letter of undertaking from a Solicitor
- An agreement to repay the amount deferred from the proceeds of a life assurance policy

We have full discretion to refuse a deferred payment if we are not satisfied adequate security is in place.

Other options
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 in this as you will not accrue a debt, be liable for interest and administrative charges and your property will be occupied. We recommend you speak to the Council Tax Department regarding any Council Tax liabilities.

There are also various equity release products which may be suitable for your personal circumstances.

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.

We recommend that you take independent financial and legal advice to help you decide.

Department of Work and Pensions
You should always inform the Department of Works and Pensions if you move into residential or nursing care, and if you have a Deferred Payment Agreement in place, as this will have an effect on your benefits.

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

Below are suggestions on some of the people you can turn to for advice.

- https://www.moneyadviceservice.org.uk/en/categories/care-and-disability government website
- http://societyoflaterlifeadvisers.co.uk/ provides a list of regulated financial advisers specialising in Long Term Care, in a 50 mile radius – it found 11 specialists within 20 miles of Priory House
- http://www.saga.co.uk/money/care-funding-advice.aspx?pid=mn provides free financial advice on its website and the option to pay for personalised financial advice. It is regulated by the FCA
- The Pensions Advisory Service offers free and impartial advice on all aspects of state and private pensions. They can be contacted on their helpline 0300 123 1047.
- Your local Citizens Advice Bureau can offer free and impartial advice on a range of financial issues, and will point you towards more specialist advice when appropriate. From April 2015 all Citizens Advice Bureaus will offer specialist advice on pensions.

ADMINISTRATION COSTS FOR DEFERRED PAYMENT AGREEMENT

INTEREST RATE
The national interest rate will change every six months on 1st January and 1st July each year. Interest will be added to any deferred costs on a compound basis at the rate of 4.25% APR with effect from 1st January 2025.

INITIAL SET UP COSTS
The initial cost of setting up a Deferred Payment Agreement is £790.70

ANNUAL ADMINISTRATION COSTS
An annual fee for the maintenance of the Deferred Payment Agreement of £130.30 will be added to the fees outstanding at the end of each year or (part year)

COST OF PROPERTY VALUATION
If the council and the client cannot agree on the value of the equity or beneficial interest in the property, the Council would use the services of an external valuer. A quotation would be obtained and the cost of the professional valuation would be passed on to the customer.

LEGAL COSTS
Any legal costs incurred in claiming money due will be passed on to the client.