

FINANCIAL MATTERS FACTSHEET 3 Deferred Payment Scheme

1. What is a Deferred Payment?

A Deferred Payment is designed to help you if you have been assessed as having to pay the full cost of your residential or nursing home – but cannot afford to pay this as most of your capital is tied up in your home.

By entering into a deferred payment agreement, you can “defer” or delay paying the costs of your care and support until a later date following the sale of your property.

Effectively the scheme offers you a loan from Sefton Council using your home as security. It doesn't work in exactly the same way as a conventional loan, the Local Authority doesn't give you a fixed sum of money when you join the scheme, but pays an agreed part of your weekly care and support bill for as long as is necessary.

You will pay a weekly contribution towards your care that you have been assessed as being able to pay from your income and other savings direct to the residential or nursing home. Sefton Council then pays the difference between your weekly charge and Sefton's agreed contracted rate which is subject to annual increase, 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. For many people this will be done by selling their home, either immediately or later on. You can also pay the debt back from another source if you want to.

However, 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 debt to Sefton Council out of your estate, or you may want to rent it out 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 Sefton Council, and minimising the eventual deferred payment debt.

2. In order to apply for a Deferred Payment 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;
- own or have part legal ownership of a property, which is not benefitting from a property disregard, and 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);

- have no other mortgages on the property, (unless the Council otherwise agree);
- have mental capacity to agree to a deferred payment agreement or have a legally appointed agent willing to agree this such as a Deputy.

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;
- provide original and valid identification documents (or obtain identity verification) for all parties who named on the property deeds (unless deceased) or who are acting as a deputy or attorney on behalf of a person named on the deeds, You are liable for any expenses incurred to obtain and provide suitable identification documents.
- ensure that you have up to date and valid insurance appropriate to whether the property is occupied, and provide proof;
- pay any client charge in a timely and regular manner; 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;
- provide the death certificate for any deceased person who is named on the property deeds.

Acceptance of any application under the scheme is subject to the above, and Sefton Council being able to obtain a legal charge over your property.

3. Costs associated with the Deferred Payments Scheme

Councils can charge an administrative fee for arranging the Deferred Payment and other reasonable one-off fees such as legal costs, a Land Registry charge and administration costs.

Please find below Sefton Council's deferred payment fees for 2023-24 as follows:

Deferred Payment Scheme From 1 April 2023	Charge
First year set up cost:	£830.00
Charge to register a legal charge	£348.00
Annual Charge	£136.00
Final charge to close account	£200.00

Charging Interest

Local Authorities are allowed to charge compound interest on the debt in the same way a normal loan would be charged on money borrowed from a bank. The maximum interest rate that will be charged is fixed by the government, and is set in January and July every year, it can go up but must not exceed maximum amounts set by the Department of Health.

The interest will apply from the day you begin to defer charges via a deferred payment agreement. This is usually after 12 weeks in a long term placement.

You will receive regular statements advising you of the outstanding sum on your deferred payment account, any administrative charges and the total amount of equity remaining in your home.

4. Your agreement with Sefton Council

If you decide to use the Deferred Payments Scheme, you enter into a legal agreement with the Council by signing two legal documents, a Deferred Payment Agreement and a Legal Charge form. The Council will then apply to the Land Registry to secure its loan against the property. The loan will be applied from the start of the Deferred Payment agreement i.e. the date when Sefton's loan begins. You will be charged for this expense.

The agreement covers both the responsibilities of Sefton Council and your responsibilities, one of which is to make sure that your home is insured and maintained. If you are entering into a deferred payment agreement you can retain a disposable income allowance up to £144 per week, which can be used for this purpose. However you may prefer to have a reduced disposable income allowance in order to reduce the amount of your loan from the Council.

You should inform Sefton Council prior to any person moving into your property or if you wish to rent out your property, as any tenant will be required to sign the deferred payment agreement.

You must notify Sefton Council of any change in your circumstances which would affect the value of your property or the sustainability of the deferred payment.

You can end the agreement at any time (for example if you sell your home or repay the debt) and the loan then becomes payable immediately.

Otherwise the agreement ends on your death and the loan becomes payable 90 days later.

Sefton Council cannot cancel the agreement without your consent.

5. Advantages of using the Deferred Payments Scheme

If there is an existing agreement for a third party 'top-up', where a family member or other person pays additional money towards your placement, and you decide to take advantage of the Deferred Payments Scheme, then you can add the cost of the 'top-up' payments to your Deferred Payment. Any 'top-up' must be agreed by the Council to ensure that the deferred payment is sustainable.

6. Other options

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.

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 accrue a debt, be liable for possible 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 advice to help you decide which course of action will be financially better for you.

7. Impact on Benefits

When you enter a residential or nursing home you must inform the agency who deals with your benefits, to avoid an overpayment of benefits. We will also notify them that you are now living in a care home.

If you receive the following benefits:

- Attendance Allowance
- Disability Living Allowance (care component)
- Personal Independence Payments (daily living component)
- Employment & Support Allowance
- Pension Credit

They are likely to stop or reduce after Sefton Council has been funding your placement for 28 days (or sooner if you have previously been in hospital).

However, once you enter into a deferred payment agreement with Sefton Council you will again have full entitlement to these benefits.

If you are taking steps to sell your property and are in receipt of Pension Credit or Employment & Support Allowance then after 12 weeks this can resume or be paid at a higher rate. If you are not taking steps to sell your property you may not be able to receive Pension Credit or Employment & Support Allowance.

If you receive the mobility component of Disability Living Allowance or Personal Independence Payment then this will not be affected by your stay in a residential or nursing home.

Housing Benefit/Council Tax Reduction Scheme

If you have moved into a residential or nursing home on a long term basis and receive Housing Benefit or help under the Council Tax Reduction Scheme then this will be affected if you are now living in a residential or nursing home.

Important contact numbers

State Pension **0800 121 4433**

Pension Credit **0800 731 0469**

Employment and Support Allowance
0800 169 0310

Disability Living Allowance
0800 121 4600 (under 65's)

Attendance Allowance
0800 731 0122 (over 65's)

Personal Independence Payments
0800 121 4433

Sefton Council
0345 140 0845

Other useful numbers

Land Registry: **0300 006 6410**

Contacts for Independent Advice

Sefton Advocacy Centre: **01704 500 500**

Citizens Advice : **0151 318 6407**

Age UK Advice Line: **0800 678 1602**

Sefton Carers Centre: **0151 288 6060**