



FINANCIAL MATTERS FACTSHEET 3 ADULT SOCIAL CARE DEFERRED PAYMENT SCHEME 2025-2026

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 for your care until you sell your property. Effectively Sefton Council offers you a loan using your home as security. Instead of giving you a lump sum, the council pays part of your weekly care bill.

You will pay a weekly contribution towards your care. This contribution is an amount you have been assessed to pay from your income and/or savings. Sefton Council then pays the difference between the weekly contribution and Sefton’s agreed contracted rate which is subject to annual increase. The part the council pays is the 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.

Deferred Payment application

To apply for a Deferred Payment, you must:

- Have less than £23,250 in capital (excluding your property)
- Be assessed as needing permanent care in a registered care home.
- Own or partly own a property that is registered with HM Land Registry (if it is not registered you must arrange for this at your own expense)
- Have no other mortgages or debt on the property (unless the Council agrees)
- Have the mental capacity to agree to the Deferred Payment or have a legally appointed agent to agree on your behalf.

Additionally, you need to:

- Have someone responsible for maintaining the property in a good condition.

- Provide original and valid identification documents for everyone named on the property deeds (unless deceased) or who are acting as a deputy or attorney. You are liable for any expenses incurred to obtain suitable identification documents.
- Provide proof of up to date valid buildings insurance for the property including if unoccupied.
- Pay your client charge in a timely and regular manner.
- Provide a death certificate for any deceased person named on the property deeds.
- Ensure anyone living in the property agrees to a legal charge being placed on the property and has an assured shorthold tenancy agreement in place if they are not the owner.

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

Costs associated with the Deferred Payments Scheme

Councils can charge an administrative fee for setting up the Deferred Payment and other one-off costs like legal fees, Land Registry charges, and administration costs.

Sefton Council's deferred payment fees for 2025-26 are:

Deferred Payment Scheme from 1 April 2025	Charge
First year set up cost:	£900.00
Charge to register a legal charge	£373.00
Annual Charge	£147.00
Final charge to close account	£215.00

Charging Interest

Councils can charge compound interest on the debt, similar to a bank loan. The maximum interest rate is set by the government every January and July. It can increase but won't go over the limit set by the Department of Health and Social Care.

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 showing any administrative charges the outstanding debt on your deferred payment account, and the remaining equity in your home.

Your agreement with Sefton Council



If you use the Deferred Payment Scheme, you enter into a legal agreement with the council by signing two legal documents:

- Deferred Payment Agreement, and
- Legal Charge form.

The Council will then secure its loan against your property with the Land Registry. The loan starts from the date of the Deferred Payment agreement, i.e. the date when Sefton's loan begins. You will be charged for this expense.

The agreement outlines the responsibilities of both Sefton Council and you. One of your responsibilities is to ensure your home is insured and maintained. You can keep up to £144 per week, for this purpose. This is known as disposable income allowance. You may choose to have less to reduce your loan amount.

You must inform Sefton Council prior to anyone moving into your property or if you wish to rent it out, as tenants must sign the deferred payment agreement.

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

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.

Advantages of using the Deferred Payment Scheme

If a family member or someone else is already paying extra money towards your care home costs (a 'top-up'), you may be able to add these 'top-up payments' to your Deferred Payment. The council must agree to the 'top-up' to make sure the deferred payment is sustainable.

Other options

If a deferred payment isn't right for you, there are other ways to pay for your care home costs:

- You can look into different equity release products that might suit your situation.
- You can pay the full cost from your income and savings, or a family member can help.
- You can rent out your property, to cover the cost of your care. This way, you won't build up debt or have to pay interest and fees. Additionally, your tenant will pay utilities and council tax, reducing your expenses.

It's a good idea to get independent financial advice to decide what's best for you.



Impact on Benefits

When you move into a care home you must inform the DWP to avoid any overpayments of your benefits. We will also inform them that you are now living in a care home.

If you receive these benefits:

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

they may stop or reduce after Sefton Council has been paying for your care for 28 days (or sooner if you were previously in hospital). However, once you enter a deferred payment agreement with Sefton Council you will get these benefits again.

If you are taking steps to sell your property and receive Pension Credit or Employment & Support Allowance, these benefits can resume or increase after 12 weeks. If you are not selling your property, you may not get Pension Credit or Employment & Support Allowance.

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

Housing Benefit/Council Tax Reduction Scheme

If you move into a care home on a long term basis and received Housing Benefit or help under the Council Tax Reduction Scheme, these will be affected and you should contact Sefton Council to inform them of your move.



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**