The Deferred Payments Scheme.

An information leaflet for home owners, paying for residential or nursing home care

SURREY COUNTY COUNCIL

What is the Deferred Payment Scheme?

The deferred payment scheme is designed to help if you have been assessed to pay the full cost of your care home fees but cannot afford to pay the full cost immediately because your capital is tied up in your home.

Deferring payment of your care and support fees can delay the need to sell your home; providing peace of mind during a time that can be challenging. The scheme is a type of loan that offers you the opportunity to 'defer' paying the full cost until a later date. If you are eligible for the scheme, the
Council will help you to pay the amount you cannot afford to pay each week, using your home as security.

The Council will work out how much you can afford to pay each week towards the cost of your care home fees, based upon your income and other capital. The Council will then pay the difference between your 'assessed weekly contribution' and the actual cost of the care home. The part that the Council pays on your behalf is the 'deferred payment'. The deferred payments build up as a debt, which is repaid when your house is sold. If you decide not to sell your property during your lifetime, the debt must be repaid to the Council from your estate after your death.

When might I want to consider a Deferred Payment?

When you first enter a care home as a permanent resident, the value of your property is disregarded for the first 12 weeks of your stay. If you have less than £23,250 (excluding the value of your home) and eligible needs which the Council agree should be met in a care home, the Council will make a contribution towards your fees for the first 12 weeks. You will be required to pay your 'assessed weekly contribution' during this period. If your property is taken into account as capital after the 12 week property disregard, you will be required to pay the full cost of your care. You will need to have arranged how you will pay the full amount by the end of the 12 weeks. It is very important that you take independent financial advice to find out all the options available to you.

Will I be eligible for a Deferred Payment?

If you decide to apply for a deferred payment agreement, we will assess your application against the following criteria:

1. we must have assessed you to have eligible needs which the Council agrees should be met in a registered care home; and
2. you must have less than £23,250 in savings and other capital (excluding the value of your home); and
3. your property is not disregarded for charging purposes.

If all of the above criteria are met and you can provide adequate security, the scheme will usually be offered. The Council has discretion to offer the scheme in certain other circumstances; it also has discretion to refuse an agreement if certain other criteria are not met.

What if I am refused a deferred payment?

The Council may refuse to enter in to an agreement if, for example:

1. we are unable to secure a first legal charge on your property;
2. you want to defer a larger amount than you can provide security for. For example, you have insufficient equity in your property to meet the home fees throughout your entire stay
3. you lack the mental capacity to enter into an agreement and there is no legally appointed person to do this for you
4. you do not accept the terms and conditions of the agreement

If this happens, we will write to explain the reason why your application has been refused and advise you of your right to complain under the Adult Social Care Complaints Procedure.

The Council cannot advise you on whether to proceed with a deferred payment agreement or how to fund your care if a
deferred payment has been refused. We recommend that you seek independent financial advice as the Council cannot give this advice.
When carrying out the assessment, the council will adopt what is called a ‘whole family approach’. This means considering how the needs of the person being assessed impacts on other family members, or anyone in their support network.

How much money can I keep each week?

If we agree to enter into an agreement, you can keep up to £144 each week from your income, or a lesser amount of your choice. This is called your 'Disposable Income Allowance'. When deciding how much you want to keep each week, you should consider how you will maintain your property throughout the term of the agreement. You will be required to pay the remainder of your weekly income towards your care home costs.

The amount of allowance you decide to keep will depend on your expenses and whether or not, for example, you are renting the property to tenants to generate extra income. The rent would be taken into account when calculating how much you can afford to contribute each week, which would minimise the final debt and interest that you or your estate would repay to the Council.

Some people will want to keep the maximum amount of 'Disposable Income Allowance'; others will choose to pay more towards their care from income, which in turn reduces the amount deferred overall and consequently they pay less interest. To help you work out how much allowance you need, we suggest you make a list of all property and personal expenses you have. You will have to tell us how much you want to keep each when you make your application. Surrey County Council has a duty to assess 'on the appearance of need' (in other words without a 'request' having to be made). They also have a more general duty to 'take reasonable steps' to identify young carers in their local area.

How much can I defer?

Once we have worked out how much you will be required to contribute each week from income and capital, all other costs, including top-ups and any additional care costs can be deferred, subject to the amount of equity in your property.

We will work out how much equity you have in your property and how long it would be expected to last, up to the equity limit. The equity limit is determined by the value of the property, less any mortgage or loan secured against it, minus ten percent, minus £14,250. This provides you and the Council with protection from any fluctuation in property prices.

An example of the equity limit

Reginald has requested a deferred payment. His property is valued at £165,000. He does not have a mortgage.

His ‘equity limit’ will be the property value minus 10%, minus a further £14,250.

£165,000 - £16,500 - £14250 = £134,250

Reginald’s ‘equity limit’ is £134,250. He can defer up to this amount in care fees, which would leave £30,750 of equity remaining in the property.

Once you enter into a deferred payment, the Council cannot allow you to defer more than your ‘equity limit’ in care costs. If we think this is likely to happen, we will discuss this with you. If you use up your equity and then become eligible for financial assistance from the Council, we will need to review the cost of your care and agree how the fees will continue to be paid.

If the cost of your chosen care home is more than your Personal Budget, (this is the amount the Council says it would cost to meet your care and support needs), you will need to find a third party to pay a top-up on your behalf. If you do not have a third party that can pay the difference between your choice of care home and your Personal Budget, you may have to move to a cheaper home when you reach the equity limit. It is important that you consider how long your equity will last before entering in to an agreement. It is also important to consider that your care costs may change over time.

Will I pay interest on the amount deferred?

Yes, interest will be compounded on a daily basis and will apply from the start date of the agreement. The interest rate is based upon the cost of government borrowing and is expected to change every six months; on the 1st January and 1st July each year. The rate at the time of drafting this information booklet is 0.95%, but the rate you pay will be that applicable at the time of entering the agreement and will be reviewed six monthly. We will send you regular statements to show the amount of care charges deferred and the amount of interest payable.

Will I have to pay any set up costs?

Yes, you will have to pay an administration fee but this will not exceed the amount it costs the Council to set up the agreement. The ‘Schedule of Charges’ are listed on the back page of this leaflet. Once your application has been provisionally agreed, a one-off charge will be requested from you towards our legal and administrative costs, whether or not the matter proceeds to completion, plus the costs of any land registry fees incurred.

If we agree to enter in to an agreement, you will have to pay an arrangement fee for the Council to contract for your care on your behalf. There will also be a small annual fee payable for each year of the agreement. These fees can be paid upon application or you can choose to defer them. If you defer them, you will have to pay interest on the fees from the start date of the agreement. There will also be a final fee for the Council to discharge its legal charge when the property is sold, or where the debt is repaid by other means.

Is the deferred payments scheme right for me?

You should take independent financial advice to help you to make a well-informed decision as to whether the scheme is right for you. There are some advantages, such as the peace of mind that you will not have to sell your home during a difficult period or during your lifetime for example. If you choose not to sell it during your lifetime, it would need to be sold after your death to repay the debt, unless your family are able to repay it from other sources.

An alternative option may be to rent out your property, which could provide you with enough income to cover the full cost of your care. There are advantages to this as you will not accrue a debt, you will not be liable for interest and administrative charges and your property will be occupied. Your tenant will be paying the utility bills and council tax, which would reduce your outgoings and avoid the need for a loan. Whether this is an option for you will depend on your income, how much the fees are and whether anyone else can help you to make these arrangements.

There are also various equity release schemes, annuity plans, loans and other financial products which may be more suitable for your personal circumstances. You may be able to pay the full cost of your care from your available income and savings, family members may choose to pay some or all of the fees for you, or you may choose a combination of various ways in which to self-fund your own care rather than accrue a debt.

You may decide you want to sell your home immediately but cannot afford to pay the full fees until such time as it is sold. A deferred payment may be an option for you to consider.

How will my decision effect my entitlement to benefits?

If you receive help from the Council your entitlement to Attendance Allowance or the care component of Disability Living Allowance or Personal Independence Payment stops 28 days after you move in to a care home. The 28 days includes any time spent in hospital immediately before you moved in. You must tell the Disability Benefits Centre (DBC) if you receive help from us. After the 12-week property disregard period you will be entitled to these benefits again and should tell the DBC that you are now paying the full cost.

If you decide to sell your home and the property is on the market, you may be entitled to claim either Income Support or Pension Credit. You should contact the Department for Work and Pensions to make a claim. You cannot usually make a claim until your property is on the market.

How do I apply for a deferred payment?

If you decide to use the scheme you will need to tell your social worker that you want to apply. You will be required to enter into a legal agreement with the Council. If the property is jointly owned, all owners need to sign the agreement. The Council then places a ‘legal charge’ against your property. This means we will have to agree to the sale of your property, and this would be on the condition that the loan is repaid in full before you receive the sale proceeds.

The agreement explains how the scheme works and covers the responsibilities of both you and Council. You can end the agreement at any time by paying back the loan. If you choose not to sell your home and not to repay the loan during your lifetime, the agreement ends on your death and the loan becomes due 90 days later. The Council cannot cancel the agreement without your consent.

Independent and Financial Advice

An independent financial adviser will have access to the full range of financial products available, to help you make the important financial decision about care planning. Some may charge for this service. Financial advisers must be authorised and regulated by the Financial Conduct Authority (FCA). You can check whether an advisor is authorised by contacting the FCA:

Phone: 0800 111 6768 or Email: consumer.queries@fca.org.uk

Some financial advisors are accredited with SOLLA – The Society of Later Life Advisors. These advisors hold appropriate financial, tax planning, equity release and long-term care qualifications regulated by the FCA. They specialise in providing products for people planning for or in later life.
You can access SOLLA accredited advisers on the SOLLA website. Simply enter your postcode to find a list of advisors near to you.

There are also local voluntary organisations that may be able to offer independent and free advice. These include agencies such as:

- Citizens Advice Bureau: citizensadvicesurrey@cabnet.org.uk
- Age UK: 0800 169 6565

Schedule of charges applicable from 1st April 2022

Deferred Payments	£	
Legal Fees	900	One off cost whether or not the application proceeds to completion
Administration charge to process the DPA, printing, and postage costs	430	One off cost whether or not the application proceeds to completion
Arrangement fee	300	To contract for your care and support
Total arrangement fee	1630	
Land registry charges and search fees	variable	As determined by Land Registry
Professional fees		
Valuation fees	variable	Should a professional valuation be required
Annual Fee		
Annual administration fee	125	Payable in April
Valuation fees	variable	Should a valuation be required to determine the remaining equity
Redemption Fee		
Legal fees for removal of the charge	250	
Debt recovery costs	variable	Any costs incurred in recovering the debt, if not repaid in full at the end of the agreement, may be charged in full.