Sheffield City Council
Adult Social Care

adult social care factsheet

Deferred payments

Deferred payments allow people who own their own home to use the value of their property to 'defer' or delay paying the full cost of residential care until a later date.

This factsheet explains how deferred payments work, who is eligible for a deferred payment agreement, and how we calculate interest and other charges. It also explains how to end the agreement, options for repayment, and what happens if you don't repay.

A deferred payment agreement is only one way to pay for care. This factsheet explains some of the advantages and disadvantages of deferred payments.

This is one of a range of factsheets about care and support in Sheffield (details on page 7).

Introduction

You can pay for residential care from a combination of

- income, including pension income
- savings or other assets you may have access to, including contributions from someone else
- a financial product designed to pay for long-term care, or
- a deferred payment agreement.

A deferred payment agreement is an agreement between you and the Council, to 'defer' or delay paying the costs of your care and support until a later date.

Payment is deferred not 'written off'. You, or someone on your behalf, will have to repay the costs of your care and support at a later date. A deferral can last until your death, but many people choose to use a deferred payment agreement as a 'bridging loan' to give them time and flexibility to sell their home when they choose to do so.

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Who can have deferred payments?

We can offer a deferred payment to you if you

- are living in a residential care home, and
- have less than (or equal to) £23,250 in assets excluding the value of your home (for example in savings and other non-housing assets), and
- own your own home.

You must be able to provide adequate security, by agreeing for us to secure a first legal charge on the property.

If your agreement is to be secured on a jointly-owned property, we need both owners' consent to a charge being placed on the property.

In some cases we may refuse a request for a deferred payment agreement, even if you are eligible. This is to protect us against default or non-repayment of the debt.

We may refuse a request for a deferred payment agreement where

- we are unable to secure a first charge on your property
- you are seeking a top up, and/or
- you do not agree to the terms and conditions of the agreement, for example the requirement to insure and maintain the property.

A top up is an additional payment made by you or someone on your behalf so that you can purchase the care and support of your choice and this costs more than we would pay for this type of care. For more information on top-ups, see our factsheet on paying towards your care and support in a residential or nursing home.

How much can be deferred?

You should be able to defer all your care and support costs, subject to any contribution we require from your income. If you are considering a top-up, we will also consider whether you can defer this amount.

The amount you defer will be determined by

- the amount of equity you have available in your property
- the amount you are contributing to your care and support costs from other sources, including income and (where you choose to) any contribution from savings, a financial product or a third-party, and
- the total care costs you will face, including any top-ups.

If you have a deferred payment agreement and you are contributing towards your care and support costs from your income, you have a right to keep some of your income (called the ‘disposable income allowance’). This is a fixed amount (up to £144 per week) of your income which we must allow you to keep, if you want to.

When deciding on the amount to be deferred, we will consider with you how to make sure the arrangement will work. We’ll discuss

- how long you want the agreement for
- the equity available
- the sustainability of paying your contribution from your savings
- how well the agreement will meet future care needs, and
- how long you would be able to defer your care costs for.

When we may stop your agreement

Sometimes we may refuse to defer any more charges for you. We cannot demand repayment for the amount already deferred. In this case we would provide at least 30 days’ notice that further deferrals will stop, and suggest how your care and support costs will need to be met in future. Depending on your circumstances, this may mean you will receive support from us in meeting the costs of your care and support or may mean you will be required to meet the costs from your income and assets.

We may refuse to defer any more charges

- when your total assets fall below the level of the means-test and you become eligible for our support in paying for your care
- where you no longer need to live in a home
- if you breach certain terms of your agreement, and we cannot resolve this with you, and the agreement states that we will stop making further payments in such a case, or
- if your property is no longer part of your assets and so qualify for our support in paying for your care.

We will also stop deferring further amounts if you reach the maximum amount (called the ‘equity limit’) that you are allowed to defer.

In any of these cases, we would continue to charge you interest on the amount deferred until the agreement ends.

Charges

We will charge you interest. We also charge for the administrative costs. We can add these costs on to the total amount deferred or you can ask to pay these costs separately.

The Department of Health decides the interest rate we charge. Currently the rate is based on the national maximum deferred payment interest rate. This will change on 1 January and 1 July every year.

You may also have other costs while arranging deferred payments, including legal costs, a Land Registry charge, search charges and a valuation charge. We will tell you which charges apply when we arrange your deferred payment.

All charges will be clearly set out in the offer of a deferred payment.

Making the agreement

If you choose to enter into a deferred payment agreement, we aim to have the agreement finalised and in place by the end of the 12 week disregard period (where applicable) or within 12 weeks of you approaching us about deferred payments in other circumstances.

The 12 week disregard refers to the first 12 weeks after entering permanent residential care, during which we must disregard the value of your home. You will have until the end of week 12 to decide if you wish to become a permanent resident or return home.

It is our responsibility to make sure your deferred payment agreement records everything we agree about how your deferred payment will work. This agreement is a legal contract between you and the Council.

We will provide you with a written copy of the deferred payment agreement. We will make sure you have reasonable time to read and consider the agreement and ask us any questions about it.

The agreement will set out all the terms, conditions and information necessary for you to understand your rights and responsibilities under the agreement. This will include information about interest rates and administration costs, how to terminate the agreement, circumstances in which we may refuse to defer further amounts, how we will secure the debt, and how we will keep you informed about the amount you owe and the cost to you of repaying the debt.

Every six months we will provide you with a written update on the amount of fees deferred, your interest and administrative charges accrued to date, the total amount due and the equity remaining in your property.

Under the agreement, you will need to tell us about any changes in your income or in your need for care and support. You, or someone on your behalf, will also need to make sure that your home is adequately maintained and insured while you are living in a home.

Ending your agreement

A deferred payment agreement can be ended

- at any time by you, or someone acting on your behalf, by repaying the full amount due. This can happen during your lifetime or when the agreement ends after your death.
- when the property (or form of security) is sold and the amount is repaid, or
- after your death when the amount is repaid from your estate.

What happens if you don’t repay the amount?

The Land Registry legal charge secures the amount of money we loan you against the value of your property. You cannot sell your property without repaying this amount to us. After your death, the executors of your estate will be responsible for selling your property and repaying the amount to us. If they refuse, we may take legal action against the executors to recover the amount.

Advantages and disadvantages of deferred payments

Advantages

- Deferred payments can prevent you having to pay for care and support costs immediately as we meet the costs and they are only recovered on death or when the property is sold
- You only build up a debt against your property while you need care (or until you sell the property if earlier).
- The value of the property may continue to increase during the deferred period helping to offset the amount charged.
- Attendance Allowance can still be claimed during the deferred period.

- Your property can be rented out. Any income from this will be used to pay for your care and support and so reduce your debt. You will need to abide by all the regulations a landlord must follow.
- If you rent your property to tenants we may disregard up to 25% of the rental income you receive. We offer this as an incentive because renting will help with the general upkeep and maintenance of the property.

Disadvantages

- You will still need to pay for maintenance of your property. Unoccupied properties can become damp or be vandalised. You may also need to pay for heating and lighting, which may prevent this.
- The property must be insured. If you do not rent out your property you may have difficulties buying insurance because many companies will not cover an undefined period of non-occupancy.
- If you have already used an existing equity release scheme you may not be granted a deferred payment. Most equity release schemes require you to sell the property or repay the debt within 12 months of moving into a home.
- House prices may fall during any deferment.

Independent financial information and advice

We want to help support you to make informed, affordable and long term financial decisions about your care. We can provide some financial information and let you know, for example, whether you are eligible to enter in to a deferred payment scheme to support your long term care. We cannot however advise you upon the implications of entering in to the scheme and whether or not entering in to it is beneficial to you and whether it would have a detrimental effect on your tax position, your welfare benefit position or the effect on the amount that you will leave in your estate following your death.

There are organisations that can help with a range of money matters that will not charge you for information and advice. For example, you may need help to deal with debt, benefits and tax credits, or better budgeting. In some circumstances (such as choosing how to pay for your long-term care or entering into a legal agreement) you would also benefit from paying to see an independent Financial Advisor who should be regulated by the Financial Conduct Authority.

You can find out more about getting independent financial advice in our Managing your Finances factsheet (details on page 7).

Tell us what you think

If you have a suggestion, comment or complaint about any council service you can tell us what you think:

- Telephone: (0114) 273 4567.
- Website: www.sheffield.gov.uk/tellus
- Write to: Customer Services, Sheffield City Council, Town Hall, Pinstone Street, Sheffield S1 2HH.

Where can I get more information?

If you have a question about this factsheet, want a printed copy to be sent to you, or want to speak to someone about your problems you can email our **Financial Assessment and Advice Team** at financial.assessments@sheffield.gov.uk or call them on 0114 273 4440.

Factsheets can be downloaded from our website: www.sheffield.gov.uk/factsheets.

Factsheets can be supplied in alternative formats and other languages on request.

- Prevention and enablement
- Getting care and support
- Help for carers
- Children's Transition to Adult Social Care
- Independent Advocacy
- Planning and organising your care and support
- Help with travel
- Paying for your care and support at home
- Paying for your care and support in a residential or nursing home
- Managing your finances
- Managing your Direct Payment
- Disability Related Expenditure
- Personal Assistant Handbook
- Reviewing your care and support

Contact us

- Email: adultaccess@sheffield.gov.uk
- Telephone: 0114 2734908
- Write to: First Contact, Howden House, Union Street, Sheffield, S1 2SH

Document reference: SCC-ASC-14 Produced: July 2017.

Example

Miss York is the sole owner of property worth £250,000 and she has less than £23,250 in capital / savings. She is moving into a care home and wants help paying her care fees while she sells her property. She has financial capacity and has applied for a Deferred Payment.

As part of the Deferred Payment process we calculate how much equity Miss York has in her property, as this limits how much of her care costs she can defer against the value of her property.

Miss York's residential placement costs £600 per week. She contributes £96 per week towards this from her income. £144 of her weekly income is disregarded as her personal allowance. This means she has enough money to insure and maintain her property, and to meet her personal needs in the care home.

The Council pays the remaining £504 of the weekly care costs until Miss York's property is sold, or her equity limit is reached. The equity held in Miss York's property would allow her to defer the care costs for up to 8 years. Once her property is sold, Miss York will pay the Council the total deferred amount of her weekly care, including any interest and administration fees.

Property value	£250,000
Less 10% for proceeds of sale disregard	£25,000
Less lower capital limit	£14,250
Property equity	**£210,750**
Capital / Savings	**£8,000**
Weekly bed price	£600
Total income per week	£240
Less DPA personal allowance per week	£144
Income contribution per week	**£96**
Deferred payment	
Weekly bed price	£600
Less income contribution	£96
Weekly deferred payment	**£504**
Length of deferred payment	
Total equity	£210,750
Number of weekly payments at £504	418
Length of deferred payment (years)	**8**