Paying for care and support: Deferred Payments

This guide explains how Deferred Payments can delay paying towards the cost of your care and support.

When the Council arranges your care and support, we carry out a financial assessment to work out how much you'll pay towards the cost.

You can get more information about paying for care and support from our website: www.sheffield.gov.uk/home/social-care/cost-of-care. For a guide to the financial assessment contact our Social Care Funding Team (details at the end of this guide).

We strongly advise you get independent financial advice when deciding how to pay for your care and support. Paying for legal help to apply for Deferred Payments can make your application easier, and make sure you make the best decisions for you.

What are 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 guide 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.

There's also an example at the end of the guide.

A Deferred Payment Agreement is only one way to pay for care. This guide explains some of the advantages and disadvantages of Deferred Payments. As with all financial decisions, and particularly when planning your long-term care, it's best to get independent financial advice. We've provided some suggestions on who you can contact at the end of this guide.

Ways to pay for care and support

You can pay for care and support using a combination of:

- income, including pension income,
- savings or other assets like antiques or other valuables,
- contributions from other people like family,
- a financial product designed to pay for long-term care, and
- 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.

It's important to understand that 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.

Payment can be delayed until your death, but many people use a Deferred Payment Agreement as a 'bridging loan' while they arrange for their property to be sold.

Who can have deferred payments?

We can offer a Deferred Payment to you if:

- we have assessed your care and support needs, and we have decided you need support in a residential care home
- you 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
- you 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. This may not be possible if the property is currently mortgaged or it has been used for an equity release loan.

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. There's more information about this in our guide to paying for care and support in a residential care home. For a copy contact the Social Care Funding Team (contact details at the end of this guide).

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. This is why we strongly recommend you get independent financial advice and legal support to help you apply for Deferred Payments.

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 can apply for Deferred Payments to support your long-term care. We cannot however advise you upon the implications of deferring your payments, or if this is the right financial decision for you.

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. There are more details about this and a list of national and local organisations on our Sheffield Directory website: www.sheffielddirectory.org.uk/money.

In some circumstances (like 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. Get a list of IFAs and more about the FCA on their website www.fca.org.uk.

Specialist advice on care and support funding is also provided by many national charities including:

- **Age UK** help people to work out how much care and support costs and how to pay for care at home or residential care. Call 0800 678 1602. Website: www.ageuk.org.uk/information-advice/care/paying-for-care/.
  Age UK Sheffield is based at South Yorkshire Fire & Rescue, 197 Eyre Street, S1 3FG. Call 0114 250 2850. Email enquiries@ageuksheffield.org.uk.
- **Independent Age** gives free and impartial advice about care and support, money and benefits, and health and mobility. Call 0800 319 6789 or 020 7605 4200. Website: www.independentage.org. Email charity@independentage.org.
- **Paying for Care** helps people to plan how to pay care fees. They give detailed advice and calculators, and a list of advisers. Website: www.payingforcare.org.
- **Solicitors for the Elderly** (SFE) specialist legal services for older and vulnerable people. Find details of SFE members on their website or call 0844 567 6173. Website: https://sfe.legal/.

- **Society of Later Life Advisers (SOLLA**) helps people find trusted, accredited financial advisers who can help people plan for their retirement years. Call 0333 2020 454. Website: www.societyoflaterlifeadvisers.co.uk. Email admin@societyoflaterlifeadvisers.co.uk.
- **Which? Later Life Care** gives independent information to help people make care choices. Includes detailed advice about funding and paying for care and support. Website: www.which.co.uk/later-life-care/financing-care.
- **The National Careline** gives support and information to the older people and their families, including paying for care and getting financial advice. Call 0800 0699 784. Website: www.thenationalcareline.org. Email office@thenationalcareline.org.
- **First Stop Advice** give free and impartial advice for older people and their families. Advice on housing options and how to live independently, as well as care homes and nursing homes. Website: https://housingcare.org.

Difficulty paying

If you're finding it hard to pay for your care and support, we encourage you to contact us to discuss this, and see what support we can offer. This may avoid us taking legal proceedings against you.

Contact us

To talk to someone about your finances contact our **Social Care Funding Team**. Or if you have legal support to help you to apply, please ask them to contact us.

Email: funding.team@sheffield.gov.uk.

Write to: Social Care Funding Team, floor 10 Moorfoot Building, Sheffield S1 4PL.

Call: (0114) 273 4440. 273 4440. Open Monday to Friday 9 am to 3 pm.

Sheffield City Council Social Care Funding Team guide to Deferred Payments.
This guide was updated in May 2022. Next update is planned for May 2023.
Call (0114) 273 5611 or email information@sheffield.gov.uk for the updated guide.

Deferred Payment Example

Miss York is the sole owner of property worth £250,000 and she has less than £23,250 in capital and 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 care 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 AND SAVINGS	**£8,000**
Total income per week	£240
Less Disposable Income 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 is	
Equity available	£210,750
Minus 8 years of weekly payments	
£504 x 52 weeks x 8 years	£209,664
Miss York can fund 8 years of weekly payments	