

# Deferred Payment Scheme Factsheet

## What is the Deferred Payment Scheme?

In some instances, homeowners can apply for a loan to help pay their nursing or care home costs. If you are moving into a care home and most of your money is tied up in your property, you can apply for the Deferred Payment Scheme as long as your savings and investments are lower than £23,250.00.

A Deferred Payment Scheme is a type of loan with the council that lets you use the value of your property to help pay the weekly care home costs. Its purpose is to help those people who cannot afford their weekly care costs because most of their money is tied up in the value of their home. This means that if accepted, you won't have to sell your property immediately to pay for your care home fees.

## How it Works

Rather than receiving a fixed amount of money like a normal loan, the council will instead pay an agreed amount to the residential or nursing home where you are living, on the condition that you will repay us later once the property sells or from another source if that later becomes available.

This could mean that you do not need to sell your property within your lifetime.

If accepted on to the Deferred Payment Scheme the council will register a charge on your property to secure the loan and interest will be added.

During the Deferred Payment Scheme, you will still be required to pay a client contribution towards the cost of your care and support from your income.

***Before securing any loans against your home, it is important to think carefully and seek independent financial and legal advice.***

## Eligibility

To apply for the deferred payment scheme you must;

- have had a care act assessment that shows you need to be in a care home or nursing home permanently
- have less than £23,250 in savings and investments
- own part or all of a property that was your main or only home
- have written permission from any joint owners of your home (only your share of the property can be used as equity for the loan)
- be able to make your own financial decisions, or have a legally appointed person who can make decisions for you (power of attorney / court appointed deputy)
- have enough equity in your home to cover at least 12 months of care costs
- keep the property in good condition so that it does not lose value

- ensure that there is sufficient buildings insurance. This may mean purchasing specialist insurance as many home insurance policies will not cover an undefined period of non-occupancy.
- Whilst in the agreement, you must also:
  - Contribute towards the cost of your residential or nursing home fees from your income and other assets held (please note that these contributions are separate from the deferred money secured against the property).
  - Engage in all financial reviews and provide all financial information requested at any time

You are entitled to retain a maximum disposable income allowance of £144.00 per week; however, you can choose to retain a lesser amount which will reduce the rate of the accruing debt against your asset. You must retain at least the minimum disposable income allowance which is set by the government – this is currently £30.15 per week.

## Types of Deferred Payments

If you are eligible, there are two options available to you:

- Charging style - on your behalf, the council will pay your care home fees to your care home provider. You delay repaying us until your property is sold.
- Loan style – the council will loan you the money in order for you to pay your care home fees direct to your care home provider. You delay repaying us until your property is sold.

Both options will require you to enter into a written agreement with the Isle of Wight Council and a charge will be placed on your property.

## Fees and Charges

If accepted on to the Deferred Payment Scheme, there are set up and annual fees which you can either choose to pay up front or add to the value of your loan. To support your application to join the Deferred Payment Scheme, an independent property valuation is required and the cost of this will be passed onto you. Our current costs, fees and charges are listed below;

Set Up Fee	£1,100
Annual Fee	£550
Independent Valuation	£150+ VAT
Land Registry Charges	Variable*

\*Land Registry charges are variable and dependent on factors such as size / value of property or if a property needs to be registered etc – these fees are set by Land Registry and the council will not add additional money to these charges.

## Interest Rates

The interest rate to be charged is set by the Government on 1 January and 1 July each year and is applicable to both charging and loan style Deferred Payment Schemes.

DPA Interest Rates		
Date from	Date to	Interest Rate %
01/01/2015	30/06/2015	2.65
01/07/2015	31/12/2015	2.25
01/01/2016	30/06/2016	2.15
01/07/2016	31/12/2016	1.85
01/01/2017	30/06/2017	1.35
01/07/2017	31/12/2017	1.65
01/01/2018	30/06/2018	1.45
01/07/2018	31/12/2018	1.85
01/01/2019	30/06/2019	1.65
01/07/2019	30/12/2019	1.45
01/01/2020	30/06/2020	1.45
01/07/2020	31/12/2020	1.05
01/01/2021	30/06/2021	0.45
01/07/2021	31/12/2021	0.75
01/01/2022	30/06/2022	0.95
01/07/2022	31/12/2022	1.55
01/01/2023	30/06/2023	3.18
01/07/2023	31/12/2023	3.43
01/01/2024	30/06/2024	4.65
01/07/2024	31/12/2024	4.05
01/01/2025	30/06/2025	4.25

## How it Works

A financial assessment based on your ability to pay will be carried out by the Financial Assessment & Charging Team. You will be required to pay a weekly contribution towards your care and support from your income and other savings or capital. The council will pay the part of your weekly charge that you can't afford until the money from your property (equity) is available as capital. The part we pay is called your 'deferred payment'.

The deferred payment accrues as a debt against your property – which is cleared when the money from your property is released. The usual way this is completed is by selling your property. The debt can also be paid from another source, if available.

You may request a deferred payment either as a short-term measure while the sale of the property is being completed or as a longer term arrangement. In either case, the council can only agree to a deferred payment following a full financial assessment **and** if you do not have sufficient other money or income to cover the full cost of your care home fees.

By entering into a deferred payment, you are consenting to the council placing a legal charge on your property. The council can refuse a request for a deferred payment but must give the reason in writing to you, giving details of how any complaints or comments about the decision can be made to us.

## **Letting the Property**

An alternative to requesting a deferred payment is renting out your property, which may 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 interest and administrative charges and your property will be occupied. Your tenant will be paying utilities and council tax which will reduce your outgoings.

If the rental income generated does not cover the whole cost of your care fees, you may still apply to defer some of the costs of your care. If this is the case, we will require you to contribute at least 80% of the rental income received and this will be paid to the council as part of the financially assessed contribution. By doing this you will reduce the accruing debt.

No letting agreement should be entered into, or keys given to a prospective tenant, before the deferred payment has been agreed and signed. A copy of any proposed tenancy agreement must, in all cases, be approved by the council's Legal Services Team. The property may only be let on an assured 6-month short hold tenancy and the council will need to be provided with a copy of the tenancy agreement each time it is reviewed or updated.

If there is an existing tenancy agreement in place on the property, you should seek legal advice before proceeding any further with an application for the Deferred Payment Scheme.

## **Top up Payments**

Occasionally, a residential or nursing home will request a higher price for a placement than the council is contracted to pay. You can consider paying this extra money to meet the higher price either from your own money and assets - if this is possible or you can ask for it to be considered as part of the Deferred Payment Scheme.

You can request this extra amount to be deferred along with the other deferred costs if there is sufficient equity in your property to enable us to agree to this. The visiting financial assessment officer will discuss your individual circumstances with you.

## **Outstanding Debt**

If accepted on to the deferred payment scheme, a statement of the outstanding debt will be sent to you every 6 months.

This will keep you informed of the amount of the debt accruing and will include deferred fees or charges (arrangement fee, annual fees, land registry fees, valuation fees).

The council may revalue the property annually and / or when the outstanding debt reaches 50% of the available equity in your property. You will be responsible for the valuation fee. You can request that this fee is added to the deferred costs if you do not have sufficient other funds to make these payments.

The amount you can defer will depend on the value of your home, which determines your 'equity limit'. As a guide, most people can use around 80-90% of the equity available in their home. The

limit on equity is to protect you from not having enough money to pay sale costs of the property (like solicitor's fees,) and to protect the council against a drop in housing prices and the risk that we may not get all of the money back.

A full review will be carried out once the equity in the property reaches 70% however the Council can look to continue with the Deferred Payment Agreement until 90% of the equity has been used. \*Please note, fees, charges and interest will be added on top of the equity limit.

## How Much Can I Defer?

Please note that this percentage does not include the ongoing interest that will be added to the outstanding debt until it has been repaid.

If your 'equity limit' is reached, you will be contacted by someone in the Financial Assessment and Charging Team and they will advise you of the date this happens. At this point, the council will no longer add full cost fees to your debt. You will still be charged your client contribution which is based on your income.

Interest, fees and charges will continue to be added to your outstanding debt held with the council until the debt has been repaid in full.

If your deferred payment has a top-up attached to it, you may be required to move home if you no longer have the means of paying this, alternatively, a third party could decide to pay this top up for you. We would suggest that you contact your social worker to discuss this once you have been told when your equity limit will be reached.

## Ending the Deferred Payment

You can end the loan agreement at any time, for example if you sell your home, but you must then pay back the full loan straight away. If you do not choose to end the agreement, it will end when you die and the loan will need to be repaid within 90 days.

The council can end the deferred payment if;

- You fail to continue to meet the terms of the written agreement
- You no longer meet the criteria to have your needs met in a residential or nursing care setting
- The equity available in the property reaches 90%

When the deferred payment ends, the debt is repayable and interest is charged until the debt is repaid in full to the council. Any fees, charges and interest will continue to be added until the debt is repaid and therefore, if the monies owed are not repaid in a timely manner, the amount owed to the council could be more than what the property is worth.

If your property is sold, the debt is repayable immediately. If you pass away, the debt is repayable within 90 days, after which the council's usual debt recovery procedures will begin to recover the debt.

The council will only remove a legal charge on the property once all outstanding monies owed have been repaid and the outstanding debts have been settled.

If your care and support is no longer being provided by the Isle of Wight Council fees will temporarily cease to accrue but interest will still be applied; you may choose to continue to make contributions from your income during this time, which will reduce the amount outstanding

## **Applying For a Deferred Payment Agreement – What You Will Need**

When you apply you will need:

- a completed application form (please contact us to request one)
- photo identification of you or your legal representative, such as a passport or driving licence, which has been certified by a professional
- original property deeds if your property is not registered with the Land Registry
- proof of legal status of your financial representative
- death certificates of any deceased people still named on the title deed of the property
- an estate agents valuation to support your application\*

\*Please note; an additional valuation will be requested from the councils independent valuer once the application has been received to ensure the figure submitted is accurate

## Further Information, Help and Advice

### ***The Isle of Wight Council Website***

[Deferred payments and top-ups for care \(iow.gov.uk\)](http://www.iow.gov.uk)

***Financial Assessment & Charging Team*** – we ask where possible you contact your allocated visiting officer as they will have your relevant information to hand. If you do not have an allocated visiting officer, please use the contact details below.

Email: [FAC.Team@iow.gov.uk](mailto:FAC.Team@iow.gov.uk)

Telephone: 01983 823479

The Isle of Wight Council does not endorse or recommend any financial services. We highly recommend that you seek independent financial advice and it is your responsibility to ensure any financial adviser you instruct is appropriately experienced and qualified. Further information in relation to independent financial advice about your own particular circumstances can be found at:

***The Money Advice Service*** – offering information on paying for care

<https://www.moneyadviceservice.org.uk/en>

Telephone: 0300 500 5000.

***The Society of Later Life Advisers*** - help you find advice on how to make financial plans for care in retirement years

<https://societyoflaterlifeadvisers.co.uk/>

## Other sources of information and advice:

***Isle of Wight Age UK*** - offering advice for older people and those planning for later years

<http://www.ageuk.org.uk/isleofwight/>

***Carers Isle of Wight*** – A wealth of advice for carers who need to help someone else

<http://carersiw.org.uk/>

***Isle Help*** - offers free impartial, independent advice to anyone requiring help and support

<http://www.islehelp.org.uk/>

***NHS Choices*** – a comprehensive guide to choosing and arranging care and support

<http://www.nhs.uk/conditions/social-care-and-support-guide>

***Which? Elderly Care*** - provides information on the funding options you can explore for care homes and home care.

<http://www.which.co.uk/elderly-care/financing-care>

***Court of Protection*** - Offers advice on people who have capacity issues.

<https://courtribunalfinder.service.gov.uk/courts/court-of-protection>

Telephone 0300 456 4600

Email [courttoprotectionenquiries@hmcts.gsi.gov.uk](mailto:courttoprotectionenquiries@hmcts.gsi.gov.uk).

***Department of Work and Pensions*** – Provides advice on Appointeeship (the authority needed to manage the benefits of someone who is mentally incapable of doing so themselves)<https://www.gov.uk/government/organisations/department-for-work-pensions>