

LEICESTER CITY COUNCIL

ADULT SOCIAL CARE

Information on the Deferred Payments Scheme

For People in receipt of Permanent Residential Care and their Representatives

The Deferred Payment Scheme is intended to prevent people from having to sell their home during their lifetime to pay for their care. This leaflet provides general information on the scheme and how it works.

What are Deferred Payments?

If you own all or have a beneficial interest in part of a property that was your main home, and it is included in your financial assessment for your permanent residential or nursing care, you will usually be assessed as having to contribute the full cost of your placement.

Under the Deferred Payment Scheme the Council pays all or part of a person's care home fees on their behalf, and the person repays the Council at a later point in time. To ensure that the person repays the amount owed to the Council, a charge is placed on the person's proportion of the property.

Am I eligible to join the scheme?

The scheme isn't open to everyone. To be entitled to join the Deferred Payments Scheme you must be in permanent residential or nursing care, own all or part of your home and have eligible needs for Local Authority assistance. In addition, the value of all your other assets (bank accounts, ISAs, shares etc.) must be less than or equal to £23,250.

If the value of your home is not included in your financial assessment (for example, if your spouse is still living in your home) then you are not entitled to join the Deferred Payments Scheme.

Will I have to pay anything while on the scheme?

Depending on your income and assets you own, you may only be able to defer paying part of the cost of your residential or nursing care. You may still have to contribute based upon your income and other capital you own. The difference between your contribution and the full cost of the care home will be deferred.

The amount you must contribute will be based on a financial assessment of your income and other assets, including benefits and private pensions. You may choose to keep up to £144 per week of this income. This is known as a Personal Expenditure Allowance (PEA). The remainder will be your contribution. You may choose to keep less than £144 per week PEA, although there is a minimum allowance which is set by the government's Department of Health and Social care. This is set annually. By reducing the amount of PEA you received, will mean you are deferring less and paying less interest.

When do I have to repay?

All amounts that are deferred must be repaid later. A legal charge will be secured against your property giving the Council the right to reclaim the loan against the proceeds of sale.

The deferred payment agreement will end either on:

- sale of the property
- when your deferred limit is reached
- or upon your death.

(whichever is sooner)

The total amount deferred becomes payable at this point. You can repay the money due from either the sale of the property or from other capital. If the balance cannot be paid straight away, then it will continue to accrue interest until it is repaid. This will be at a higher rate of interest than during the life of the Deferred Payment Agreement.

Is there a limit to how much I can defer?

The total amount that can be deferred will depend on the value of the property and your beneficial interest in it. It will also depend on whether there are any other charges placed on it (a mortgage, for example).

We take the lowest valuation of the property - 10% - and minus any other mortgages or loans minus any claims by another party already secured on it minus £14,250.00.

Example:

Property Value	£200,000
Deduct 10%	£20,000
TOTAL	£180,000
Minus the remaining mortgage of £90,000	£90,000
Minus £14,250 (lower capital limit)	£75,750
TOTAL AMOUNT THAT CAN BE DEFERRED	£75,750

Are there any costs of joining the scheme?

There are costs associated with being on the scheme. **There is a one-off administration set up fee of £546.00** which may either be paid at the start of the agreement or added to the deferred amount. If the amount is deferred, then interest will be charged on it.

You will also be charged interest on any amounts that you defer. This interest is payable from the first day of the agreement. **The rate of interest is 4.65%** and is reviewed twice a year, which means that it may go up or down while you are on the scheme. The interest charge is calculated daily. For each day, interest is calculated based on the amount that you have borrowed to pay for your care home fees plus any interest that has accumulated for previous days. This is called daily compound interest. For example, on 1st June, Mrs Jennings owes £30,000. If the daily interest charge for 1st June was calculated as £5, then the interest charge for 2nd June would be calculated on the amount owed of £30,005.

You can choose to make additional payments to pay off all or part of the amount deferred at any time to reduce the amount of interest owed. You may pay the interest 4 weekly if you wish.

Can I rent out my home while on the scheme?

You can rent out your property. However, if you rent out the property the income you receive should be used to contribute towards your care home costs and therefore reduce the amount of the loan. You may keep a proportion of this income if you wish to cover the costs of being a landlord.

Do I have to maintain my property?

The property must be kept well maintained and insured. This includes paying for insurance on the building and contents and paying heating bills to protect the property from damp and frost. As you may keep up to £144 per week from your income you will be expected to meet these costs from this amount.

What happens if I want to enter a home that is more expensive than Leicester City Council would normally pay?

You may wish to enter a home that is more expensive than Leicester City Council would normally pay for. You will need to pay for the difference in cost. This is called a Third party top up. If you sign a deferred payments agreement then you may be able to defer the third party top up, provided there is sufficient equity in the calculation we have performed to cover this. Each case will be considered separately and it may not always be possible for you to defer the top up.

Can I still sell my property?

Yes. Once you have signed a deferred payment agreement you can sell your property at any time. However, this will end the agreement and the money that has been deferred will have to be repaid from the proceeds of the sale.

It is possible that you will be left with capital that is over the upper capital limit. This means that you will be required to pay the full cost of your accommodation. In most cases the Council will end the contract with the care home and you will be expected to enter a contract directly with the home. The care home may charge you a different rate than the rate previously paid by the Local Authority. If you are planning to sell your home it would be advisable to find out what the home charges privately contracted residents.

What is the 12 week disregard?

Regardless of whether you join the Deferred Payment Scheme, the amount you must contribute is based on a financial assessment of your income and assets. For this financial assessment, the value of the property that was your main home is disregarded for the first 12 weeks of your permanent stay in residential or nursing care. You will still have to contribute during these 12 weeks based on your income and other assets. No amounts will be deferred against your property during this period.

What if I choose not to join the scheme?

You will be invoiced for the full cost (inclusive of any third party top up) of your care from the date that the value of your property is considered.

Can someone sign the agreement on my behalf?

Your property will be disregarded for the first 12 weeks of a permanent stay. During this time, you will be sent the agreement forms to sign. You can sign the forms yourself or if someone acts as power of attorney, they may sign it on your behalf. Please note that if any other party has an interest in the property, they will be required to sign the DPA as well.

Does entering the Deferred Payments Scheme affect my benefits?

Entering into a deferred payment agreement will not directly affect your benefits. Attendance Allowance should be reinstated from the date your property is considered whether you sign the agreement or not. If you have not previously received this, then you should make a claim. Entitlement to pension credit/income support may be stopped if the Department for Work and Pensions (DWP) deem you are not taking reasonable steps to sell the property. You can still enter deferred payments if your benefit stops but this will increase the amount you have to repay at the end of your agreement. It is in your best interests to claim the maximum benefits you are entitled to, as this will reduce the amount you have to repay to Leicester City Council.

What are the advantages and disadvantages of the scheme?

The main advantage of the scheme is that you do not have to sell your home during your lifetime to pay for your care. The scheme may also be used to give you greater time to arrange the sale of your property.

Some of the disadvantages are that there is an administration charge to join the scheme and interest is charged on all amounts owed to the Council. There may also be cheaper alternative ways of financing your placement (for example through a loan or mortgage/equity release).

From week 13 of your residential stay, you may receive invoices from us for your care. But once a charge is registered on your property and your agreement onto the Deferred Payment Scheme is finalised, please be reassured that these invoices will be fully cancelled.

You are advised to take independent legal and financial advice before entering into a deferred payment agreement.