

## **Health & Adult Services Directorate**

### **Client information sheet (2018/2019)**

#### **What is the Deferred Payments Scheme?**

The Deferred Payments Scheme is designed to help you if you have been assessed as having to pay the full cost of your residential care – but cannot afford to pay the full weekly charge because most of your capital is tied up in your home.

Effectively the scheme offers you a loan from North Yorkshire County Council, using your home or other capital assets e.g. land, as security. It doesn't work in exactly the same way as a conventional loan; the Council doesn't give you a fixed sum of money when you join the scheme, but pays an agreed part of your weekly care and support bill for as long as it is necessary.

Where a property is used as security to offer a deferred payment agreement, the equity limit is set at the value of the property minus 10%, minus £14,250 (for the financial year 2018/2019) less the amount of any other "loans" secured on it.

When someone is approaching or reaches the point at which they have deferred 70% of the value of their chosen security, the Council will review the cost of their care with the person, discuss when the person might be eligible for any means tested support, discuss the implications for any top-up they might currently have, and consider jointly whether a deferred payment agreement continues to be the best way for someone to meet these costs.

You will pay a weekly contribution towards your care that you have been assessed as being able to pay from your income and other savings. The Council pays the part of your weekly charge that you can't afford until your home is sold.

The part the Council pays is your Deferred Payment.

The Council will disregard the value of your main or only home when the value of your non-housing assets are below the upper capital limit of £23,250 for a period of 12 weeks only, from when a person first enters a care home on a permanent basis. This is known as the "12 week property disregard". At the end of 12 weeks, the value of the person's home is taken into account.

The Deferred Payment builds up as a debt, which is cleared when the money tied up in your home is released for example when it is sold. For many people this will be done by selling their home, either immediately or later on. If you want to, you can also pay the debt back from another source.

However, you do not have to sell your home if you don't want to, you may, for example, decide to keep your home for the rest of your life and repay out of your estate, or you may want to rent it out to generate income. If you do this, you will be expected to use the rental income to increase the amount you pay each week, thus reducing the weekly payments made by the Council, and minimising the eventual Deferred Payment debt.

If you choose not to sell your property this may affect your benefit entitlement, therefore you will need to advise the Department for Works & Pensions, Pension Service & Disability Benefit Unit whichever is applicable. The Benefits & Assessment Officer can also discuss this with you.

## **Charging interest**

The loan will have interest charged on it in the same way a normal loan would be charged on money borrowed from a bank. The maximum interest rate that will be charged is fixed by the government. Currently the maximum rate to be charged is based on the cost of government borrowing, and will change on 1<sup>st</sup> January and 1<sup>st</sup> July every year. The Council currently charges 1.45%. This interest will be compounded on a 4 weekly basis.

The interest will apply from the day you enter into the Deferred Payment Scheme. You will receive regular statements advising you how your charge is being calculated and what the outstanding sum on your Deferred Payment account is.

Example below details deferred amount incurring compound interest of 1.35% over 12 weeks

Date from	Date to	Number of nights	Weekly Deferred Amount	Deferred Property Debt for period	Total Deferred Amount	Interest Rate	Interest for period	C/F amount
25-Jan-18	21-Feb-18	28	£500.00	£2,000.00	£2,000.00	1.35%	£2.07	£2,002.07
22-Feb-18	20-Mar-18	28	£500.00	£2,000.00	£4,002.07	1.35%	£4.14	£4,006.21
21-Mar-18	17-Apr-18	28	£500.00	£2,000.00	£6,006.21	1.35%	£6.22	£6,012.43

## **Your agreement with North Yorkshire County Council**

If you decide to use the Deferred Payments Scheme, you enter into a legal agreement with the Council by signing an agreement document. The Council then places what is called a 'legal charge' on your property to safeguard the loan. You will be charged for this expense.

The agreement covers both the responsibilities of the Council and your responsibilities, one of which is to make sure that your home is insured and maintained. If you incur expenses in maintaining your home while you are in residential or nursing care, these will be allowed for in the amount that you are assessed as contributing each week from your capital and income.

You can end the agreement at any time (for example if you sell your home) and the loan then becomes payable immediately.

Otherwise, the agreement ends on your death and total value of the loan becomes payable 90 days later. If the loan is not repaid within 90 days the debt will be pursued through the Council's debt recovery procedure.

The loan will continue to attract interest and costs until repaid in full, and the legal charge will remain as security on the property.

## **Advantages of using the Deferred Payments Scheme**

You should take independent financial and legal advice to help you decide which course of action will be financially better for you.

If there is an existing agreement for a third party 'top up', where a family member or other person puts additional money towards your placement, and you decide to take advantage of the Deferred Payments Scheme, you can add the cost of the 'top up' payments to your Deferred Payments Scheme loan, if the Council agrees that there is enough equity in your home.

The government's rules say that 'top ups' for people not using the Deferred Payments scheme currently have to be paid for by somebody else, for example, a member of their family, so a Deferred Payment is currently the only way of paying the top up yourself without depending on a third party.

### **Costs associated with the Deferred Payments Scheme:**

There are one-off set up legal costs, which are currently £165, an Investigation of Title (including Land Registry Fees) £48, Land Registry fee for registration of charge £20, Cancellation of the legal Charge on settlement of the debt £75, Professional valuation cost £350. There is also an administration charge of £125. The Council's legal department will write to you separately about these charges if you decide to take out an agreement. **Please Note** – The professional valuation costs may be £500 for more complex cases; you will be advised if the higher rate applies. There are also ongoing annual costs of £359 (2018/2019 rates).

Should a deferred payment application be unsuccessful or declined for any reason any expenses incurred to date by the Council, will be immediately payable.

### **Other options**

If you have already entered or are considering entering into a deferred payment agreement with your provider, direct, you will not be eligible to apply for the Council's deferred payment scheme.

You may choose to rent out your property, which could 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.

There are also various equity release products which may be suitable for your personal circumstances.

You may also choose to pay the full cost of your care from your available income and savings/assets; or a family member may choose to pay some or all of this for you.

**You should take independent financial and legal advice to help you decide which course of action will be financially better for you.**

### **In order to apply for the Deferred Payment Scheme you must:**

- have capital (excluding the property) of less than £23,250;
- be professionally assessed as requiring, and be entering, permanent residential / nursing care in a registered care home;
- own, or have part legal ownership, of a property, which is not benefitting from a property disregard, and ensure your property is registered with the Land Registry (**if the property is not, you must arrange for it to be registered at your own expense**); and

- have mental capacity to agree to a Deferred Payment agreement or have a legally appointed agent willing to agree this.

Whilst in the agreement, you will also need to:

- have a responsible person willing and able to ensure that necessary maintenance is carried out on the property to retain its value; you are liable for any such expenses;
- insure your property at your expense
- in order to assist with this cost you will have the option of an increased personal allowance (currently £24.90 2018/2018) up to £144.00 per week. This option can be discussed with the Benefits & Assessment Officer. Please note if you increase the personal allowance any amount over and above the basic level, this amount will be added to your deferred “loan” and subject to compounded interest charges.
- pay any client contribution in a timely and regular manner; if you fail to pay the client contribution on a regular basis the Council reserves the right to add this debt to the loan amount.

There can be no other beneficial interests on the property, for example outstanding mortgages or equity release schemes, unless this is approved by the Council.

**Please Note** - Acceptance of any application under the scheme is subject to you meeting the criteria for entering the scheme, and the Council being able to obtain security in your property. The scheme will be explained in more detail as part of completing the routine financial assessment.

Please be aware that the local authority will provide you with 6 monthly statements of the deferred charges, when the equity reduces consideration may be given to moving you to an alternative placement.

### **Sustainability**

Once you have reached the equity limit, the local Authority may not be willing to fund a top up, and the person may need to find other ways to pay for accommodation or be prepared for a change in their package. The local Authority can only take into account the value of the percentage of ownership of the property

**Further information: please contact your local Benefits, Assessment & Charging Team:-**

**Hambleton/Richmond/Selby** - Benefits, Assessments and Charging Team Manager, White Rose House, Thurston Road, Northallerton, DL6 2NA, Tel: 01609 533840

**Selby** – Benefits, Assessment and Charging Team Manager, Sandpiper House, Brook Street, Selby, YO8 4AL, Tel: 01609 535333

**Scarborough/Whitby/Ryedale** - Benefits, Assessments and Charging Team Manager Castle House, Elders Street, Scarborough, YO11 1DZ, Tel: 01609 534648

**Harrogate/Ripon/Craven** - Benefits, Assessments and Charging Team Manager, Jesmond House, 31/33 Victoria Avenue, Harrogate, HG1 5QE, Tel: 01609 535178

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