

## APPENDIX 3

# INFORMATION LEAFLET DEFERRED PAYMENT SCHEME

July 2016

If you enter permanent residential / nursing care and you have a beneficial interest in (i.e. you are the owner of) all or part of a property, you should be made aware of the Deferred Payment Scheme.

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

From 1 April 2015, government regulations state that from the date a person agrees to remain in residential / nursing care on a permanent basis, the value of their property shall be disregarded for a period of 12 weeks (the “12 week property disregard period”).

The value of your property will be taken into account in your financial assessment 12 weeks after the date it has been agreed that you will be staying in residential / nursing care permanently. This usually means that your capital will exceed the current upper capital limit £23,250, meaning that you will be liable to pay the full cost of your care home fees.

The Isle of Wight Council may be able to continue to assist you to pay your care home fees after this point in time, and until your property is sold, on condition that a legal charge is placed on your property or land in favour of the Council. Only in exceptional circumstances will the Council consider securing the accruing debt by another means - for example a third party guarantor, solicitors undertaking, agreement to pay from a Policy or a co-owner agreement to pay. However, the Council would have to consider whether these other forms of security were adequate security and individual circumstances would be considered on a case by case basis.

You would be expected to reimburse the amount that the Council pays towards your care home fees from the day after the 12 week disregard period ends until the property is sold.

A financial assessment based on your ability to pay will be carried out and you may be required to pay a weekly contribution towards your care from your income and other savings. The Council pays the part of your weekly charge that you can't afford until the value of your home is realised. The part the Council pays is your 'Deferred Payment'.

The deferred payment builds up as a debt – which is cleared when the money tied up in your home is released. For many people this will be done by selling their home, either immediately or later on. You can also pay the debt back from another source if you want to.

You may request a Deferred Payment Agreement either as a short term measure while the sale of the property is being completed or exceptionally, as a longer term arrangement. In either case, the Isle of Wight Council can only agree to a Deferred Payment Agreement following a full financial assessment *and* if you do not have sufficient other money or income to cover the full cost of your fees.

By entering into a Deferred Payment Agreement, you are consenting to the Council placing a legal charge on your property and / or obtaining another form of security as described above. The Isle of Wight Council can refuse a request for Deferred Payment Agreement but must give the reason in writing to you, giving details of how any complaints or comment about the decision can be made to the Council.

### **Eligibility Criteria**

- You must have received an assessment carried out under the National Eligibility Criteria from the Isle of Wight Council that confirms your eligibility to have your needs met in a long term residential or nursing care home. This decision must have been agreed by a manager and the home must have a contract with the Isle of Wight Council
- The Council will only consider a Deferred Payment Agreement following a full financial assessment by the Financial Assessment and Charging Team
- Your capital, excluding the value of your main and only home, must be less than the current upper capital limit £23,250 (April 2016)
- You must have insufficient income and other assets, excluding the value of your main and only home, to meet the full cost of your care home fees
- You must have mental capacity to agree to a Deferred Payment Agreement or have a legally-appointed representative willing to agree to this on your behalf
- You must have a beneficial interest in the property
- There must be no outstanding mortgage on the property, or where there is an outstanding mortgage, the offer of the Deferred Payment Scheme will be assessed on an individual basis
- There should be sufficient equity – a minimum of 70% - equivalent to the valuation less 10% less the current lower capital limit (April 2016 £14,250)
- If the property is jointly owned and not disregarded, all owners must agree to sign the Deferred Payment Agreement if this is offered

Whilst in the agreement, you must also:

- Contribute towards the cost of your care home fees from your income and other assets held, in order to reduce the accruing deferred debt (please note that these contributions are separate from the deferred money secured

against the property) 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.

- Meet the cost involved in maintaining the property, e.g. repairs, from your own resources
- Ensure that you maintain the property to a reasonable standard of repair and condition and property buildings insurance kept up to date
- Engage in all financial reviews and provide all financial information requested at any time

### **Charges and Fees**

The Council charge an initial set up fee of £1000 to cover its costs of entering into the agreement. This fee represents the officer time and administrative costs involved in the application process and the setting up of the Agreement. Payment of any Land Registry fees and valuation fees will be payable in addition to this fee.

The Council require the payment of this initial set up fee and all Land Registry fees / other legal expenses on or before the signing of the Deferred Payment Agreement. 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 total fees payable could be more if the property is not already registered at Land Registry as there will be additional costs involved to complete this. The Land Registry will advise of their scale of fees payable in individual circumstances – [www.gov.uk/government/organisations/land-registry](http://www.gov.uk/government/organisations/land-registry).

To support your application to join the Deferred Payment Scheme, the Council must carry out a valuation of the property and the cost of this will be passed onto you. The cost of the valuation is £150 + VAT for 2016 / 2017.

The Council charge an annual fee of £510. This fee covers the costs of the officer time involved in administering the Deferred Payment Agreement each year. You can request that this fee is added to the deferred costs if you do not have sufficient other funds to make these payments.

### **Letting the Property**

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.

If the rental income generated would not cover the whole cost of your care fees, you may still apply to defer some of the costs of your care. The Council would expect you to contribute the rental income received (less any reasonable expenses of the letting) to 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 Agreement has been agreed / entered in to. A copy of any proposed tenancy agreement must, in all cases, be approved by the Council's Legal Services. The property may only be let on an assured short hold tenancy.

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 a Deferred Payment Agreement.

### **Other Options**

There may be financial products which could 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.**

### **Top up Payments**

Occasionally, a residential or nursing home will request a higher price for a placement than the Council is contracted to pay them. You can consider paying this extra money to meet the higher price either from your own money and assets - if this is possible.

Occasionally, 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 the Council to agree to this. The visiting financial assessment officer will discuss your individual circumstances with you.

### **Statement of Outstanding Debt**

A statement of the outstanding debt under the Deferred Payment Agreement will be sent to you every six months, in March and September.

This will keep you informed of the amount of the debt accruing which is secured by our legal charge on the property and will include deferred costs

together with any outstanding fees (arrangement fee, annual fees, land registry fees, valuation fees).

The Council will 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, currently £150 + VAT (April 2016). You can request that this fee is added to the deferred costs if you do not have sufficient other funds to make these payments.

### **Termination of the Agreement**

The Council cannot terminate the Agreement. The Deferred Payment Agreement ends either

- The day you pass away or
- The day on which the Agreement is terminated by you (the Council require a seven day notice period to provide a final redemption figure)

However, the Council can end the Agreement (and end the deferred payments) if

- You fail to continue to meet the terms of the 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 70% (valuation of your share in the property less 10% less the lower capital limit – currently £14,250). In this case, the Council will give you 30 days notice.

When the Agreement ends, the debt is repayable and interest is charged on the debt from the date of the original Deferred Payment Agreement. Interest is charged until the debt is repaid in full to the Council.

The interest rate to be charged is set by the Government on 1 January and 1 July each year. The current interest rate chargeable is 1.85% (1 July 2016 to 31 December 2016).

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

The Council will only remove a legal charge on the property on settlement of the outstanding debt.

The Council will actively pursue any outstanding debt left following the sale of the property from you or the executor of your estate through usual debt recovery procedures. This means that we will contact you to discuss the amount you owe to the Council and we will always try to reach an arrangement for you to pay us the amount you owe. However, if you do not engage with us to resolve this situation, the Council will recover the debt

through the Courts and the Court is then able to order you to pay the amount you owe.

## **SUMMARY**

### **Advantages of a Deferred Payment Agreement**

- It can prevent you from having to pay for your care costs immediately: you do not have to sell your home in your lifetime if you do not wish to do so
- You only build up a debt against your home for the period you need care (or until you sell the property if earlier) which could be cheaper than other options
- The value of your property may continue to increase during any deferred period, helping to offset the amount charged
- The property can be rented out, and the income could reduce the overall debt deferred

### **Disadvantages of a Deferred Payment Agreement**

- You will still need to pay for the upkeep on the property. It must remain insured. This may mean purchasing specialist insurance as many home insurance policies will not cover an undefined period of non-occupancy
- Any property left unoccupied may be at risk of vandalism and damp and therefore you may need to continue to pay for heating and lighting
- Should you still have a mortgage on the property this will still need to be paid each month
- House prices may fall during the period of deferment
- You would lose out on interest which otherwise you would have earned by putting the proceeds of the sale either on deposit or into an investment

### **Further Information, help and advice**

The visiting financial assessment officer can provide you with further information regarding the Scheme and discuss your individual circumstances with you. You can contact the Financial Assessment and Charging Team on 01983 823340.

You are also advised to seek your own independent legal and / or financial advice regarding the Scheme and your own particular circumstances.

The **Money Advice Service** can provide information, support and guidance regarding:

- Paying for your care
- Deferred Payment Scheme
- Court of Protection procedure

- Lasting Power of Attorney procedure

You can contact them at [www.moneyadvice.service.org.uk](http://www.moneyadvice.service.org.uk). They can help you find a specialist advisor in your area.

The **Society of Later Life Advisors (SOLLA)** can provide information, support and guidance regarding:

- Paying for your care
- Deferred Payment Scheme
- Court of Protection procedure
- Lasting Power of Attorney procedure

You can contact them at <http://societyoflaterlifeadvisers.co.uk/> They can help you find a specialist advisor in your area.

The **Isle Help Advice Hub** located at 7 High Street, Newport, Isle of Wight, PO30 1SS also provides a central contact point for:

- Citizens Advice Bureau
- Age UK

The Hub can be contacted on:

- 03444 111 444 Advice Line for landlines
- 0300 3300 650 Advice Line for mobiles
- [www.islehelp.org.uk](http://www.islehelp.org.uk)