

## Deferred Payment Scheme Factsheet

If you enter into permanent residential or 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.

If you join the Deferred Payment Scheme you will still need to pay for the upkeep on the property and it must remain insured. This may mean purchasing specialist insurance as many home insurance policies will not cover an undefined period of non-occupancy.

### What is the Deferred Payment Scheme?

If you are moving from your home into a care home and if most of your money is tied up in your property and you have under the capital limit of £23,250.00 in savings and investments, we may offer you the option of the Deferred Payment Scheme. What this means is you won't have to sell your property immediately to pay for your care home fees.

A Deferred Payment Scheme is an arrangement with the council that lets you use the value of your property to help pay care home costs. 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.

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.

### Interest Rates

1.05% (1 July 2020 to 31 December 2020)

0.45% (1 January 2021 to 30 June 2021)

0.75% (1 July 2021 to 31 December 2021)

Both options will require you to enter into a written agreement with the Isle of Wight Council.

### How does the scheme work?

Government regulations state that from the date a person agrees to remain in residential or nursing care on a permanent basis, the value of their property shall be disregarded for a period of twelve (12) weeks (we call this the “12-week property disregard period”).

**Note: The 12-week property disregard will not be applied if the person has**

***already been self-funding their care and they require council funding due to their capital falling below £23,250.***

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 or nursing care on a permanent basis. This usually means that your capital will exceed the current upper capital limit £23,250 and that you will be liable to pay the full cost of your care home fees.

The 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 Isle of Wight Council. Only in exceptional circumstances will we consider securing the accruing debt by other means. We have to consider whether other forms of security are adequate and individual circumstances would be considered on a case by case basis.

You will be expected to reimburse the amount 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 will be required to pay a weekly contribution towards your care from your income and other savings. 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 – 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 comment about the decision can be made to us.

### **Deferred Payment Scheme Eligibility Criteria**

- A Wellbeing Assessment will be carried out under the National Eligibility Criteria that confirms your eligible needs to be met in a long term residential or nursing care home. This decision must have been agreed by a manager from Adult Social Care and the residential or nursing home must have a contract with us.
- We will only consider a deferred payment 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 2021)
- 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 £14,250 (April 2020)
- If the property is jointly owned and not disregarded, all owners must agree to sign the Deferred Payment Agreement, if this is offered
- The council will need to be satisfied that there is a least one year's worth of funding in the property in order to offer a deferred payment
- 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, 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 will charge an initial set up fee of £1,100 to cover costs of entering into the scheme. This fee represents the officer time and administrative costs involved in the application process and the setting up. Any Land Registry and valuation fees will be payable, in addition to the set-up cost.

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 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, a Chartered Surveyor 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 2021.

The council charge an annual fee of £550. This fee covers the costs of the officer time involved in administering the deferred payment 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**

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 expect you to contribute 80% of 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 has been agreed and signed. A copy of any proposed tenancy agreement must, in all cases, be approved by the council's Legal Services Department. 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.

## **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. You can consider paying this extra money to meet the higher price either from your own money and assets - if this is possible.

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.

## **Statement of Outstanding Debt**

A statement of the outstanding debt under the Deferred Payment Scheme will be sent to you every 6-months (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 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, currently £150 + VAT (April 2020). 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 deferred payment will end when:

- The person is deceased. The money from the property will be recouped to fund the person's care.
- The day on which the deferred payment is terminated by you (we require a 7-day notice period to provide a final redemption figure)

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 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 Scheme 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.

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 on settlement of the outstanding debt.

### **Further information, help and advice**

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 (including paying for your care, deferred payment scheme, court of protection procedure, lasting power of attorney procedure) 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 [courtofprotectionenquiries@hmcts.gsi.gov.uk](mailto:courtofprotectionenquiries@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>