A deferred payment agreement is an arrangement with the Council that will enable you to use the value of your home to help pay care home costs.
A deferred payment agreement is an arrangement with the Council that will enable you to use the value of your home to help pay care home costs. A deferred payment is usually taken after someone enters permanent care and is placed under a 12 week property disregard. During this 12 week period the value of the person’s main former home is disregarded from their financial assessment. The financial assessment determines how much an individual contributes towards the cost of their care. Once the 12 week period ends, the value of their home is included in their financial assessment which usually means they have to pay for the full cost of their care.

A deferred payment agreement allows a person to defer or delay paying for the costs of their care until a later date. The payment for care and support is deferred and not ‘written off’ and will have to be repaid by the individual (or a third party on their behalf) at a later date. Deferring payment can help people to delay the need to sell their home; it can provide additional flexibility for when and how someone pays for their care and support.

A deferred payment can last until death, however many people choose to use a deferred payment agreement as a ‘bridging loan’ to give them time and flexibility to sell their home when they choose to do so.

If you are eligible, the Council will help to pay your care home bills on your behalf. You can delay repaying us until you choose to sell your home, or until after your death. We will put a legal charge on your property which will mean that the property cannot be sold until the debt to the Council has been repaid.

Who is eligible for a deferred payment agreement?

Deferred payment agreements will suit some people’s circumstances better than others’ and not everyone will be eligible. You should be eligible for a deferred payment agreement if:

✔ you’re assessed as having eligible needs which we decide should be met through a care home placement
✔ you own your own home (unless your partner or certain others live there)
✔ you have savings and investments of less than or equal to £23,250 (not including the value of your home)

We may refuse a deferred payment agreement despite someone meeting the eligibility criteria where:

✗ we are unable to secure a first legal charge on your property
✗ you do not have the mental capacity to agree to a deferred payment agreement or have a legally appointed agent willing to agree this
✗ you are seeking a top-up (see below) and the amount of the top-up does not seem sustainable for the duration of the placement given the amount of equity in your property
✗ you do not accept the terms and conditions of the deferred payment agreement

(The above list is not exhaustive)

Our Financial Assessment team will be able to provide information (considering your own circumstances and whether you might be eligible for a deferred payment agreement) – 0300 126 3003.

Top-up - the Council usually offers assistance up to a maximum price. This amount will depend on things like the type of care, the care home, room size etc. If the care home charge is more than the maximum price, the additional amount is called a top-up.

A deferred payment agreement is only one way to pay for care. The Council would recommend that you obtain independent legal and financial advice on other funding options that may be viable.

www.moneyadviceservice.org.uk/en/articles/get-financial-advice-on-how-to-fund-your-long-term-care
How much does a deferred payment cost?

We will recoup the administrative costs associated with deferred payment agreements, including legal, property valuation and ongoing running costs via administration charges. These charges will be passed on to you and will be added to the total amount deferred as they accrue.

We will charge interest on any amount deferred from the start of the agreement to help cover the cost of lending, and the interest rate must not exceed the maximum amount specified in regulations. The national maximum interest rate will be published every six months on 1 January and 1 July each year. [www.gov.uk/government/publications/care-and-support-whats-changing/care-and-support-whats-changing#deferred-payment-agreements](http://www.gov.uk/government/publications/care-and-support-whats-changing/care-and-support-whats-changing#deferred-payment-agreements)

Interest will be added on a compound basis (every four weeks) and will continue to accrue on the amount deferred even once you’ve reached the equity limit (see below). It will also accrue during breaks in care / funding and after death, up until the deferred amount is repaid to the Council.

Will I have to make a contribution?

We may require you to make a contribution. Any contribution will be determined by a financial assessment and will be based on your income, savings and assets. Any assessed contribution will reduce the amount you have to defer. The financial assessment must allow you to keep a minimum amount, currently £144.00 per week. However, you may wish to use some of this allowance to reduce the amount you defer. That is your choice. This level of allowance is only applicable during a deferred payment agreement.

All other placement costs, including sustainable top-ups can be deferred, subject to the level of equity in your property.

When will I have to repay the deferred payment agreement?

You can sell your home and repay the deferred payment agreement at any point. The debt becomes due when you house is sold. Or you can have a deferred payment agreement for the full length of your stay in a care home and pay it back out of your estate, following your death.

How much can I defer?

The amount you can defer will depend on the value of your home, which determines your ‘equity limit’. The ‘equity limit’ is calculated as follows:

Property’s current market value (CMV); less 10% of CMV; minus £14,250.

For example, if your property is valued at £165,000, your ‘equity limit’ would be £134,250.

(£165,000 - £16,500 - £14,250 = £134,250)

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

How do I apply for a deferred payment agreement?

When you have been assessed as having eligible needs which we decide should be met through a care home placement, you will need to complete a deferred payment application form. The information provided on the form will be used in conjunction with the other financial information you will have been asked to provide to determine whether you are eligible for a deferred payment.

If you are interested in applying for a deferred payment agreement we would advise you to read the sample agreement in order to understand each party’s responsibilities. You may wish to show it to your legal adviser. [www.cambridgeshire.gov.uk/financialadvice](http://www.cambridgeshire.gov.uk/financialadvice)
What if my spouse / partner / civil partner lives in my house?

There are circumstances when the value of your former home is disregarded from a financial assessment and therefore a Deferred Payment Agreement will not need to be offered. This is where the property is occupied full time or in part by any of the following people:

- your partner, former partner or civil partner, except where they are estranged
- a lone parent who is your estranged or divorced partner
- an appropriate relative (as defined by the Care Act) of you or member of your family who is:
  - Aged 60 or over, or
  - Is a child of the resident aged under 18, or
  - Is incapacitated

The value of your property will not be included within your financial assessment for the reasons shown above where your property has been continuously occupied by an eligible person. If someone does live in your property at the time you go into a care home the circumstances will be investigated to determine whether or not the value of your home will be disregarded.

Can someone live in my home if I have a deferred payment agreement?

There are benefits to keeping your home occupied. It must be maintained and adequately insured for as long as you have the deferred payment agreement and this can be cheaper and / or easier if someone is living there. If you would like someone to live in your house during a deferred payment agreement you will need to contact us first.

You might choose to rent out the property and use the income to reduce the amount you defer. Within your deferred payment financial assessment you will be allowed to keep 20% of any net rental income. However, you may wish to keep less in order to reduce the amount you defer, this would be your choice.

Before you rent out your property you should seek independent advice as you will have responsibilities as a landlord. The Government’s Money Advice Service website has some information on this topic. (See page 2).

Who will value my home?

We will carry out a valuation of your property as part of the application process. You may be asked to provide an independent property valuation. There may also be circumstances where a property valuation is required during the life of the scheme as part of the regular review process.

If your property is jointly owned or there are complications regarding legal and beneficial ownership you can request an independent valuation if you disagree with our valuation of your beneficial interest in the property. A valuation may have to be provided from a specialised independent valuation firm. The cost of any valuations will be recharged to you through the administration fee for the scheme.

What happens when I reach the equity limit?

We will contact you before this happens. You will stop having to defer any more care costs; however, interest will still be applied to your outstanding deferred debt. You will have another financial assessment to determine your revised assessed contribution.

The difference between your agreed care costs and your assessed contribution will then be met by the Council.

However, your equity limit will continue to be reviewed to determine whether you have any available equity in your property using the calculation above. If you have, the deferred payment agreement may then restart.
How do I know what I owe?
You will be sent regular statements showing your total outstanding deferred debt. These statements will detail the accrued care debts, compounded interest and any applied fees. We can supply statements on request, for example, if you are selling your property.

Can I still get a deferred payment agreement if I have gifted money or my home to my children?
People with care and support needs are free to spend their income and assets as they see fit, including making gifts to friends and family. However, it is also important that people pay their fair contribution towards their care and support costs.

If you give away your home, savings or other assets before you go into a care home or when you are already living in one, we must investigate the circumstances very closely. If you sell an asset at less than its true market value, we must investigate this too.

If we decide that a significant factor in your decision to give away the asset or sell it at less than its market value was to avoid paying fees, or to reduce the amount you had to pay, we can take that asset into account in the financial assessment.

Depending on the circumstances, we can either assess you as still owning the asset(s) or make the person to whom you gave or sold the asset contribute towards your fees. Finance assessors will also investigate any large gifts or circumstances where you transfer ownership of any asset.

What will happen if I sell my home?
Your deferred payment will be paid off from the proceeds of your house sale. Once the debt has been fully repaid, the Council will stop its involvement in your case and your care home will start to invoice you directly for the full cost of your care.

What if I wish to pay off my deferred payment early?
You can pay off your deferred payment at any time. This could be done using the proceeds from selling your home, an inheritance or getting another person to pay off the accrued debt. Once the debt has been fully repaid, the Council will stop its involvement in your case and your care home will start to invoice you directly for the full cost of your care.

You can make partial repayments. For example, you may want to do this to reduce the amount of interest you have to pay.

What if I don’t repay or make my assessed contributions to my deferred payment?
Failure to repay a deferred payment or make the required assessed contributions to your deferred payment could result in debt recovery proceedings being taken. The Council could make a claim to the County Court for a judgement to recover the debt.

However, the Council would seek to resolve any repayment issues before such action is necessary. If you do have a deferred payment and you have issues repaying your deferred payment you must contact the Council as soon as possible to discuss your repayment options.

What will happen to my home after my death?
The executor of your estate should arrange repayment of the money owed to the Council, either by putting your home up for sale, or from other assets in your estate. This will usually need to be done within 90 days. If the money owed is repaid without your home being sold, then your property will be dealt with according to any instructions you have left.
Can I get someone to represent me if I do not have the capacity to understand?

Carers and families can help people to make decisions about their care and how to pay for it. If we are concerned that the person applying for the deferred payment agreement does not have the capacity to understand, or won’t have capacity to understand in the near future, then another person may need to represent them. Only a person that is properly authorised, like someone with legal power of attorney or court appointed deputy, can represent someone in applying for a deferred payment agreement.

If you currently have capacity, you may wish to consider giving someone the legal authority to act on your behalf in the future should your circumstances change. You should speak to your family or support network about this and seek independent legal advice.

What are my other options?

- 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 in this as you may 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 may be various financial products which may be suitable for your personal circumstances. [www.cambridgeshire.gov.uk/financialadvice](http://www.cambridgeshire.gov.uk/financialadvice)

- 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.

Welfare benefits

As part of the financial assessment process, your Finance Officer will review your income and advise you whether you are entitled to any additional benefits. They will also be able to answer any questions you may have about your welfare benefits.

Later life advice

The following are specialists accredited in the provision of later life advice.

- The government’s Money Advice Service website [www.moneyadviseservice.org.uk/en/categories/paying-for-care](http://www.moneyadviseservice.org.uk/en/categories/paying-for-care)

- The Society of Later Life Advisers [www.societyoflaterlifeadvisers.co.uk](http://www.societyoflaterlifeadvisers.co.uk) provides a list of regulated financial advisers specialising in Long Term Care.

Other useful website links

- Money Advice Service [www.moneyadviseservice.org.uk](http://www.moneyadviseservice.org.uk)

- Age UK [www.ageuk.org.uk](http://www.ageuk.org.uk)

- Government website [www.gov.uk](http://www.gov.uk)

- National Debtline [www.nationaldebtline.org](http://www.nationaldebtline.org)

- Citizens Advice [www.adviceguide.org.uk/england.htm](http://www.adviceguide.org.uk/england.htm)

- Delivering the Care Act in Cambridgeshire [www.cambridgeshire.gov.uk/careact](http://www.cambridgeshire.gov.uk/careact)

- Someone to act on your behalf [www.cambridgeshire.gov.uk/advocacy](http://www.cambridgeshire.gov.uk/advocacy)

- Department of Work and Pensions [www.dwp.gov.uk](http://www.dwp.gov.uk)