



Deferred Payment Scheme - information & guidance

What is the 'Deferred Payment Scheme'?

The Deferred Payment Scheme is designed to prevent people from having to sell their home, in order to meet the cost of their residential or nursing care. If you meet the scheme criteria, Hillingdon council can offer you this scheme.

By entering the Deferred Payment Scheme, it means that you can put off or 'defer' paying part of the costs of your care until a later date. A financial assessment will be carried out to determine how much you can contribute each week towards your care, from your available income and capital.

The remaining weekly cost of your care will be paid by the council until the Deferred Payment Scheme ends. 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.

A deferral can last until death. However, some people may choose to use the Deferred Payment Scheme as a 'bridging loan' to give them time and flexibility to sell their home when they choose to do so.

The council can charge set up fees and interest on the amount deferred. These charges are to cover the council's costs for arranging and administering the Deferred Payment Scheme and not to make a profit. Please see the council's schedule of charges for more detailed information.

Using the Deferred Payment Scheme is only one option to pay for your care. We recommend that you take independent legal and/or financial advice before you apply for or enter into the Deferred Payment Scheme.

Criteria for applying for the Deferred Payment Scheme

- You must have taken independent financial advice.
- Your savings/capital must be lower than £23,250. This excludes the value of your property.
- You must have had your care needs assessed, by the council's Adult Social Care Team, as requiring and be entering permanent residential/nursing care in a registered care home.
- Where an agreement is to be secured on a jointly owned property, the council will seek both owners consent (and agreement) to a charge being placed on the property. Both owners will need to be signatories to the charge agreement, and the co-owner will need to agree not to object to the sale of the property for the purpose of repaying the debt due to the local authority. Similar consent will be obtained where a charge is being created on a property where any other person has a beneficial interest in the property.
- You must have mental capacity to agree to a deferred payment agreement or have a legally appointed agent willing to agree this.
- You must ensure that there are no other beneficial interests on the property, for example outstanding mortgages or equity release schemes, unless they are approved by the council before entering into an agreement.
- You must own or have part legal ownership of a property, which is not benefiting 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).

*If your home is still occupied by your spouse, partner, dependent child or another relative either aged over 60 or with a disability, then the value of your home won't usually be taken into account whilst they are living there and a property disregard will apply. If they leave, it will affect what you pay and it is important that you keep us informed of any change in circumstances.

What you need to do while in your agreement

- 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.

- Pay your weekly contribution in a timely and regular manner (that part cannot be deferred). If you fail to pay the weekly contribution on a regular basis, the council reserves the right to add this debt to the amount deferred.

How much can I defer?

Once we have worked out how much you will be required to contribute each week, from your available income and capital, all other costs, including top-ups and any additional care costs and administration fees can be deferred, subject to the amount of equity in your property.

We will work out how much equity you have in your property and how long it would be expected to last, up to the equity limit. The equity limit is determined by the value of the property (a valuation will be required); less any mortgage or loan secured against it, minus ten percent, minus £14,250.

Having an equity limit provides you and the council with protection from any fluctuation in property prices. As a guide, most people can use around 80-90% of the equity available in their home.

An example of the equity limit

Annie has requested a deferred payment. Her property is valued at £165,000. She does not have a mortgage.

Annie's 'equity limit' will be the property value minus 10%, minus a further £14,250.

$£165,000 - £16,500 - £14,250 = £134,250$.

Annie's 'equity limit' is £134,250. She can defer up to this amount in care fees, which would leave £30,750 equity remaining in the property.

We will stop deferring any further fees when you have reached your equity limit. However, interest and administration charges will continue to be added to the amount outstanding until everything has been paid back. The council will revalue the property periodically, which could increase the period of the deferral.

When asked to enter into the Deferred Payment Scheme, when property/land is not available as security, the council will consider each case on its own merits. Requests will be considered on an individual basis with no obligation on the authority to enter into an agreement. The principles governing security remain the same.

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 can be charged is fixed by the government.

The council will charge interest on the Administration fee, if you have not paid for it separately, the loan and the ongoing costs of managing the Deferred Payment Scheme.

Interest rates:

1.65% from 01st January 2019 to 30th June 2019

1.45% from 01st July 2019 to 31st December 2019

1.45% from 01st January 2020 to 30th June 2020

1.05% from 01st July 2020 to 31st December 2020

0.45% from 01st January 2021 to 30th June 2021

0.75% from 01st July 2021 to 31st December 2021

The interest rates are reviewed every six months, in line with current gilt rates, as published in the Economical and Fiscal Outlook report, published by the Office for the Budget Responsibility (OBR). The interest is compounded on a daily basis.

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

Your agreement with the London Borough of Hillingdon

When you submit an application to join the London Borough of Hillingdon's Deferred Payment Scheme, a valuation of your property will be undertaken. The

council will determine the most appropriate basis for valuation, which may be a desktop valuation using online property websites such as www.zoopla.co.uk, www.houseprices.co.uk or www.hometrack.co.uk. Alternatively, an independent valuation maybe required, in which case the actual cost will be due from you.

If you decide to use the Deferred Payment 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.

The Deferred Payment Scheme will not take effect until a formal agreement is entered into and a legal charge is placed on the property specified in Section 3. Until that time, you will be charged the full cost of your care.

Advantages of using the Deferred Payment Scheme

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 Payment Scheme; you can add the cost of the ‘top up’ payments to your Deferred Payment Scheme loan, if the council agrees that there is enough equity in your home. Interest is added to any amount deferred.

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.

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

Costs associated with the Deferred Payment Scheme

The Care Act 2014 permits the council to charge administration charges that reflect the actual costs of providing the Deferred Payment. The Deferred Payment Scheme is intended to be run on a cost-neutral basis.

Full details of the costs involved in the scheme can be found in the council's leaflet, Deferred Payment Scheme - Schedule of charges.

Other options

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 may choose to rent out your property, which could give you enough income to cover the full cost of your care without council assistance. Your tenant will be paying utilities and council tax, which will reduce your outgoings.

If you pay your own fees, rather than receive interim help from the council, then you can avoid building up a large debt and interest charges which will have to be paid back when your property sells or from your estate. It may also allow you more choice about when or if you sell.

If you are paid Attendance Allowance, the care component of Disability Living Allowance or a Personal Independence Payment, the Department of Work and Pensions will continue to pay these benefits whilst you are in care, if you are responsible for the full cost.

Moving into a care home represents a change in your circumstances. Therefore, you should contact the Department of Work and Pensions to see how this will affect the benefits you receive and what you will still be entitled to.

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

Terminating the Deferred Payment Scheme

The Deferred Payment Scheme can be terminated in a number of ways:

Voluntarily by the person receiving care or someone acting on their behalf by paying the full amount that is due. Where the agreement is voluntarily terminated, the council will require written notice of termination and 30 days notice and a £300.00 termination fee will apply.

When the property (or other form of security) is sold; if the person decides to sell the property they must notify the council. They will be required to pay the council, the outstanding balance and any interest, from the proceeds of the sale.

The deferred payment will automatically come to an end when a client dies.

Regardless of the termination reason, once the agreement ends, the full debt becomes due for settlement immediately. Interest will continue to accrue on the outstanding balance.

If the debt is not repaid, the council can take legal action to enforce repayment of the debt and apply a higher interest rate.

Refusing an application

The council can refuse a request for the Deferred Payment Scheme. In such circumstances, the decision will be notified in writing to the applicant, giving reasons for this decision.

If you disagree with our decision you have the right to ask for a review. To request a review please write to us detailing your reasons for your request, including any further evidence you are able to provide.

Grounds for refusal of an application to join the Deferred Payments Scheme include, but are not limited to the following:

- We are unable to secure a first legal charge on the property.
- The property is unregistered with the Land Registry.
- The property is uninsurable.
- You have more than £23,250 in capital/savings not including the value of your property.
- No one has the legal status to sign the legal documentation or you or any interested parties refuse to sign the legal documentation.
- You have not provided satisfactory evidence that the property will be maintained to an adequate standard.
- You have not been assessed as having a need for residential care.
- There is insufficient equity in the property to secure the council's financial interest.

Please note that acceptance of any application under the scheme is subject to you meeting the criteria for entering the scheme, and the local authority being able to obtain security in your property.

Independent advice

If you need further guidance concerning local authority charging for residential and nursing care, independent advice can be obtained. There are a number of organisations you can contact for financial advice.

For general advice and information on financial matters there are guides available locally through Age UK, Citizens Advice Hillingdon and A4U or through their websites at:

www.ageuk.org.uk/hillingdon www.hillingdoncab.org.uk www.a4u.org.uk

The Money Advice Service provides free and impartial advice on a range of financial matters, including considerations around paying for care.

www.moneyadviceservice.org.uk

Contact details for the Financial Assessment Team:

The London Borough of Hillingdon,

Financial Assessment Team,

15/07 Civic Centre,

High Street, Uxbridge

UB8 1UW

Telephone: 01895 250882

E-mail: financialassessment@hillington.gov.uk

We recommend that you take independent legal and/or financial advice before you apply for or join the Deferred Payment Scheme.