

# Factsheet 12: Deferred Payments

## What is the 'Deferred Payments Scheme'?

The Deferred Payments Scheme (DPS) is designed to help you if you have been assessed by the Council as having to pay the full cost of your residential care – but cannot pay the full weekly charge because most of your capital is tied up in your home. The DPS offers you a loan from Shropshire Council using your home as security. Although similar, 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 DPS, but instead pays part of your weekly residential care and support costs.

You will pay a weekly contribution towards your residential care. This is the amount that you have been assessed as being able to pay from your income and savings and capital. The Council pays the part of your weekly care charge that you can't pay now.

The deferred payments will become a debt, which is cleared at a later date. For many people the agreement will end either when their home is sold during their lifetime or by their estate when they die. You can pay the debt back from another source, if available, at any time if you want to.

Example:

Louise is in a care home charging £600 a week. She can pay £150 each week from her pensions. The remaining £450 a week accumulates as a debt to the Council.

You do not have to sell your home during your lifetime if you don't want to – you may, for example, decide to keep your home for the rest of your life and arrange for the debt to be repaid out of your estate. You may want to rent out your property to generate income. If you rent out your property, we expect you to use a large part of this income to increase the amount you pay each week. This reduces the amount of your care charges that you defer, meaning you will owe the Council less and have more for you or your heirs when the debt is settled.

## 12-week disregard

For the first 12 weeks of your permanent admission to a residential care home the value of your home is not taken into account and you may be able to receive additional financial support from the Council. We can only assist you if you do not have other financial resources of more than £23,250, such as savings, shares or

another property. Please note that if you approach us after you have already been in a care home for more than 12 weeks, you will not generally be eligible for a 12-week property disregard period.

Example:

Owen enters a care home on 9 January 2021, intending to pay for his care with his shares, which he has cashed in. He also owns his own home. On 11 May 2021 his family approaches Shropshire Council as his savings have fallen below £23,250. His 12 weeks expired on 2 April 2021, so his 12 weeks expired before he approached the Council.

## Charging Interest

We will charge interest on any amount that is deferred, and this is based on the interest rate set by the Office of Budget Responsibility twice a year, in January and July. The yearly interest rate applied is:

- From 1 January 2024: 4.65%
- From 1 July 2023 to 31 December 2023: 3.43%
- From 1 January 2023 to 30 June 2023: 3.18%
- From 1 July 2022 to 31 December 2022: 1.55%
- From 1 January 2022 to 30 June 2022: 0.95%
- From 1 July 2021 to 31 December 2021: 0.75 %
- From 1 January 2021 to 30 June 2021: 0.45%
- From 1 July 2020 to 31 December 2020: 1.05%
- From 1 January 2020 to 30 June 2020: 1.45%

Interest will apply from the day the deferred payments start and is charged on a daily basis.

We will also charge a **one-off administration fee**, which is at cost, and is currently **£610.00**.

**Important:** Shropshire Council will inform you before you enter into a deferred payment agreement what the interest rates are currently set at and when interest rates are likely to change. You will be advised to seek independent legal and financial advice before you enter into an agreement.

The Deferred Payment can only be 90% of the value of your property, less £14,250 and where applicable, less the remaining balance of any prior mortgage. We will check every year to see what the value is and how much of your deferred payment remains.

## Repayment

The debt becomes payable either when you bring the deferred payment agreement to an end by selling your property or if you pay the debt via other means during your lifetime. Unless you end the deferred payment agreement early, the debt otherwise becomes payable by your estate on the 90th day after you have died.

**Note: The Council cannot cancel the agreement during your lifetime without your consent.**

## **‘Top-Up’ Payments**

The Council normally pays care homes a standard rate if they can meet your care needs. If you have chosen to live in a care home that charges a weekly fee which is higher than this, we call the difference between the Council rate and the more expensive care home a “top-up” fee. You can either decide to pay the top-up fees as and when they become due or, if the Council is willing to allow you to do so, you can add the top-up fee to the amount being deferred. This is a decision that the Council makes based on the value of your share in your home.

## **Your Deferred Payment Agreement (DPA) with Shropshire Council**

If you decide to use the DPS, you will need to complete a deferred payment agreement application. Once the Council has looked at your application it will inform you if you are eligible for the DPS. If you do not meet the eligibility criteria the Council will tell you in writing and explain the reasons why. The amounts being loaned to you under the DPA will be secured by the Council placing a legal charge over the title to your property with the Land Registry.

## **Alternatives to the Deferred Payment Scheme**

If you don't want to have a DPA, there are other ways to pay for your care costs. Some examples are as follows:

1. You may choose to rent out your property and use the income from this.
2. Equity release, to obtain a lump sum from part of the value of your home.
3. 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 savings and capital (excluding the value of your home) of less than £23,250.
- Be professionally assessed as requiring permanent residential or nursing care in a registered care home and be resident in, or be entering, a registered care home.
- Have sole or part legal ownership of the property that was your main or only home.
- Have your property, registered with the Land Registry, or if it is not, arrange for it be registered. To be eligible for a mandatory offer of a DPA, there must be no other interests in the property, for example outstanding mortgages or equity release schemes, which will affect the Council's ability to secure the amounts due to it under the DPA.
- Own a property that is not disregarded in the financial assessment because it is occupied by your spouse, or a close relative who is aged 60 or over, is disabled or otherwise dependent upon you as defined by regulations made under the Care Act 2014.
- Have mental capacity to agree to enter into a deferred payment agreement or have a legally appointed agent willing to agree this (a legally appointed agent would be a person(s) with a registered enduring power of attorney or lasting power of attorney, or who is a deputy appointed by the Court of Protection and the Office of the Public Guardianship).
- Be ordinarily resident within Shropshire Council's administrative area

**PLEASE NOTE:** Acceptance of any application by the Council under the DPS is subject to you meeting the criteria for entering the scheme. If you want to make an application for a deferred payment agreement, please contact our First Point of Contact on **Telephone 0345 678 9044**.

### **Where you can get independent advice**

If you need further guidance concerning local authority charging for residential and nursing care, and independent financial advice, please see our Fact Sheet 13 'Seeking Further Financial Advice'

**Shropshire Council recommends that you take independent legal and/or financial advice before you apply for or enter into a deferred payment agreement.**