

# Deferred Payment Agreement Factsheet



The purpose of this factsheet is to give you advice and information regarding care fees if you own a property and are residing in a permanent residential / nursing placement and are eligible for a Deferred Payment Agreement.

## Deferred Payment Agreements

From April 2015 the Care Act required all councils across England to offer Deferred Payment Agreements to people needing care and support who meet certain eligibility criteria.

A Deferred Payment Agreement is an arrangement with the Council that will enable people to use the value of their home to help pay care home costs. If you are eligible, the Council will help to pay your care home bills on your behalf. You can delay repaying the Council until you choose to sell your home, or until after your death.

Deferred Payment Agreements will suit some people's circumstances better than others. The Council will charge interest on the amount owed to them, and there is a fee for setting up this arrangement. This is to cover the costs the Council incurs in setting up your Deferred Payment Agreement and not to make a profit.

A Deferred Payment Agreement means that people should not have to sell their home in their lifetime to pay care home bills.

It is strongly recommended that you take independent financial / legal advice if you are considering using the Deferred Payment Agreement to ensure that it is the best option for you in your circumstances.

## What is the 'Deferred Payment Agreement'?

The Deferred Payment Agreement is designed to help you if you have been assessed as having to pay the standard cost of your residential care – but cannot afford to pay the full weekly charge because most of your capital is tied up in your home.

In most cases the value of your property is usually taken into account 12 weeks from the date when it has been identified that you require long term permanent residential care.

Effectively the agreement offers you a loan from Cheshire West and Chester Council using your home as security. This is the property that you own and used to be your normal place of residence. It doesn't work in exactly the same way as a conventional loan – Cheshire West and Chester Council doesn't give you a fixed sum of money when you enter the agreement. You will be required to pay a weekly contribution towards your care that you have been assessed as being able to pay from your income and other savings.

## Deferred Payment Agreements can take 2 forms:

### Option 1: Traditional Type

The Council pays the care provider directly less the weekly amount you have been assessed to contribute from your income and savings. The difference between what the Council pays and your weekly contribution is known as the deferred payment amount.

### Option 2: Loan Type

You pay the care provider directly for the cost of your placement. The Council will loan you the money less any contribution you have been assessed to pay from your income and savings. Payments are made from the Council in installments on a four weekly basis.

The deferred payment builds up as a debt – which in most cases 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.

However, you do not have to sell your home if you don't want to – you may, for example, decide to keep your home for the rest of your life and repay out of your estate. See section Other Options for further details.

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## Your agreement with Cheshire West and Chester Council

If you decide to use the Deferred Payment Agreement, you enter into a legal arrangement 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.

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 may be allowed for in the calculation when assessing what you will pay each week from your income and capital.

This will form part of what is known as your Disposable Income Allowance.

You can end the agreement at any time (for example if you sell your home) and the loan then becomes payable immediately.

Otherwise the agreement ends on your death and the loan becomes payable 90 days later.

## Costs associated with the Deferred Payment Agreement:

### Interest Charges

Interest is charged on the deferred payment loan. The maximum interest rate that will be charged is fixed by the government and will change on 01 January and 01 July every year. The interest is compounded daily and will be applied in line with the accrual of the debt. Interest will continue to accrue until the debt is repaid in full.

The interest will apply from the date when your Deferred Payment Agreement commences. You will receive bi-annual statements advising you how your charge is being calculated and what the outstanding sum on your deferred payment account is.

For details of the current rate of interest please contact the Corporate Assessment Centre, Client Finance Team.

### Administrative Charge

The Council applies an administrative fee for arranging the Deferred Payment Agreement which includes legal fees; the cost for placing a charge on the property with the Land Registry Department; property valuation and staffing costs. The amount will be notified to you and included within the Agreement.

This fee can be paid upfront at the start of the agreement or the full value can be deferred, in which case it will be subject to interest.

For details of the current cost of the Administrative Charge please contact the Corporate Assessment Centre, Client Finance Team.

### Advantages of using the Deferred Payment Agreement

A Deferred Payment Agreement means that people should not have to sell their home in their lifetime to pay care home bills.

Choosing a Deferred Payment Agreement means you can claim Attendance Allowance or, if you are under 65 you can claim the daily living component of Personal Independence Payment while you are in a care home.

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

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## Other Options

You may choose to rent out your property, which could give you enough income to cover the full cost of your care or reduce the weekly amount that is being deferred. The advantage of this, is that your property will be occupied. However the net rental income must be paid to the council as part of your weekly assessed charge, this will then reduce the accruing debt that you will be required to pay.

Where a property is rented out, the Council will require copies of any tenancy agreements that are in place or put in place and would expect this to be via an assured tenancy.

You may decide to decline the offer of a Deferred Payment Agreement and 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. In these circumstances you would be expected to contract privately with the Care Home.

## In order to apply for the Deferred Payment Agreement you must:

- Have been professionally assessed by a member of the Council's Adult Social Care Team as requiring permanent residential / nursing care in a registered care home;
- Have capital (excluding the property) of less than the Upper Capital Limit.
- Own or have part legal ownership of a eligible property, which is not benefitting 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 you own your property with other people, all of the owners would need to agree to the Deferred Payment Agreement.

- Have mental capacity to agree to a Deferred Payment Agreement or have a legally appointed representative willing to agree this. This would be a person with Lasting Power of Attorney for financial and property affairs or with a registered Enduring Power of Attorney. They could also be a Deputy appointed by the Court of Protection. The Council will require a certified copy of the document for our records.
- There can be no other beneficial interests on the property, for example outstanding mortgages or equity release agreements, unless this is approved by the Council.

Whilst in the agreement, you will also need to

- Have a responsible person willing and able to ensure that necessary maintenance is carried out on the property to retain its value, and you are liable for any such expenses;
- Insure your property;
- Provide proof of maintenance and insurance, as required.
- If you have chosen Option 1 (traditional type) then you will be required to pay any client contribution in a timely and regular manner. If you fail to pay the contribution on a regular basis the Council will take steps to recover these fees through the courts.
- If you have chosen Option 2 (loan type) then you will be required to pay the Care Home directly in accordance with the agreement you have signed with the care provider.

## PLEASE NOTE:

Acceptance of any application under Deferred Payment Agreement is subject to you meeting the criteria for entering the arrangement, and Cheshire West and Chester Council being able to obtain security against your property.

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## Factsheets available from Chester West and Chester Corporate Assessment centre are:

- No.1 Paying for non-residential Care
- No.2 Direct Payments
- No.3 Help to Manage Your Money
- No.4 Paying for Short Term (Respite) Care
- No.5 Paying for Residential & Nursing care
- No.6 Long Term Care - Owning a Property
- No.7 Deferred Payment Agreement
- No.8 Long Term Care - Making Your Own Arrangements
- No.9 How Capital is Treated
- No.10 Paying for Social Care Support in Residential College

Information is also available on the Chester West and Chester Council website:

[www.cheshirewestandchester.gov.uk](http://www.cheshirewestandchester.gov.uk)

## Contact us

The Gateway Team is the first point of contact to talk about help for you, a relative or a friend or for information about social care for older people, adults and children.

You can phone the Gateway Team between 8:30am - 5pm Monday to Thursday (Friday 4:30pm) on 0300 123 7034

In an emergency you can contact the out of hours Emergency Duty Team on 01244 977277

## Local area contact details and opening times

### Winsford

Wyvern House

The Drummer

Winsford

CW7 1AU

Tel: 0300 123 8123

Monday to Thursday 8:30am - 5pm

Friday 8:30am - 4:30pm

### Ellesmere Port

Civic Way

Ellesmere Port

CH65 0BE

Tel: 0300 123 8123

Monday to Thursday 8:30am - 5pm

Friday 8:30am - 4:30pm

## Cheshire West and Chester Council

General public enquiries

Tel: 0300 123 8123

Web: [www.cheshirewestandchester.gov.uk](http://www.cheshirewestandchester.gov.uk)

### Accessing Cheshire West and Chester Council information and services

Council information is also available in Audio, Braille, Large Print or other formats. If you would like a copy in a different format, in another language or require a BSL interpreter, please email us at [equalities@cheshirewestandchester.gov.uk](mailto:equalities@cheshirewestandchester.gov.uk)

**Tel:** 0300 123 8 123 **Textphone:** 18001 01606 867 670

**email:** [equalities@cheshirewestandchester.gov.uk](mailto:equalities@cheshirewestandchester.gov.uk)

**web:** [www.cheshirewestandchester.gov.uk](http://www.cheshirewestandchester.gov.uk)

