Solihull Metropolitan Borough Council

Information on the Council's Deferred Payments Scheme

What is the 'Deferred Payments Scheme'?

The Deferred Payments Scheme is designed to help you **if you have been assessed as having to pay the full 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.**

Effectively the scheme offers you a loan from Solihull Metropolitan Borough Council (the Council), using your home as security. This is the only security we will accept. It doesn't work in exactly the same way as a conventional loan – we don't give you a fixed sum of money when you join the scheme, instead we pay an agreed part of your weekly care and support bill for as long as is necessary.

You will pay a weekly contribution towards your care that you have been assessed as being able to pay from your income and other savings. We pay the part of your weekly charge that you can't afford until the money that is tied up in your home becomes available.

The part that we pay 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. For many people this will be done by selling your home. You can also pay the debt back from another source if you want to.

However, you do not have to sell your home in your lifetime if you don't want to. You may, for example, decide to keep your home for the rest of your life and repay the money owed to the Council out of your estate, or you may want to rent it out to generate income. If you do this, **you will be expected to use the rental income to increase the amount you pay each week**, thus reducing the weekly payments made by us, and minimising the eventual deferred payment debt.

The Deferred Payment Agreement begins from the 13th week following a 12 week property disregard.

This means, for 12 weeks, we ignore the value of your home if the value of your other assets is below the upper capital limit (currently £23,250).

The 12 weeks can apply from:

(a) When you first enter a care home as a permanent resident; or

(b) When we have ignored the value of your home because another person was living there when you first entered the care home and they have since died or moved into a care home.

You cannot usually defer a top up payment for this 12 week period. You can pay it yourself from your savings or someone else will have to agree to pay it for you.

If you still own your home and have been paying for the full cost of your residential care from other assets and these have now reduced below the upper capital limit the deferred payment would begin when you enter into an agreement with us.

In order to apply for the scheme you must:

- have capital (excluding the property) of less than the upper capital limit (£23,250).

- be professionally assessed as requiring and be entering permanent residential / nursing care in a registered care home;

- own or have part legal ownership of a property, the value of which is taken into account, 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);

- have mental capacity to agree to a Deferred Payment Agreement or have a legally appointed agent willing to agree this.

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; you are liable for any such expenses;

- insure your property at your expense (if your home is to be left empty for an extended period of time you will need to make sure your insurance adequately covers this);

- pay any client contribution in a timely and regular manner; if you fail to pay the client contribution on a regular basis the Council reserves the right to add this debt to the loan amount;

- make us aware of any other beneficial interests in the property, for example a mortgage or equity release, before entering into the Deferred Payment Agreement.

How much can be deferred?

In principle, you should be able to defer all of your care costs including any top-up payment; minus any contribution you have been assessed to pay from your income and us obtaining adequate security for the deferred payment agreement.

The total amount that can be deferred will be governed by an equity limit.

The equity limit will be set at 90% of the value of your property (we will obtain a valuation)

Less

The lower capital limit (currently £14,250)

Less

Any other charges against the property (such as a mortgage)

The amount to be deferred will not be more than this figure but may change during the lifetime of the deferred payment agreement if the value of the property changes.

You will no longer need to defer further amounts once you have reached your equity limit. At this point you will qualify for Council support in paying for your care.

How an equity limit is worked out.

Example: House is worth £165,000.

The amount of equity available will be the value of the property minus ten percent, minus a further £14,250 (the lower capital limit).

£165,000 – £16,500 (10%) - £14,250 = £134,250

Therefore, the total amount that could be deferred would be £134,250, which would leave £30,750 (£16,500 + £14,250) in equity in the property.

How much can be deferred

Example: Lucille's care and support needs can be met in a care home costing £540 per week.

Lucille has income of £230 per week from her state pension and a private pension. She is not going to rent her home as she has decided she would like to sell it within a year.

Lucille would contribute £86 per week towards her placement.

This is income of £230 minus the maximum Disposable Income Allowance of £144.

Therefore her weekly deferral would be £454 per week. £540 (cost of placement) - £86 (assessed income) = £454.

Lucille could choose to receive a lower Disposable Income Allowance, for example £70 per week. She would then pay £160 towards her placement and her weekly deferral would reduce to £380.

With an equity limit of £134,250 Lucille could afford the weekly deferral of £454 for around five years. This increases to around six years with the deferral amount of £380.

Charging interest

The loan will have interest charged on it in the same way a normal loan is charged interest on money borrowed from a bank. **The maximum interest rate that will be charged is fixed by the government.** Currently the maximum rate to be charged is based on the cost of government borrowing, and will change on 1st January and 1st July every year. The Council currently (April 2015) charges 2.65%. This interest will be compounded on a daily basis.

Payment of interest can be deferred in the same way as your care costs or you can pay it separately.

The interest will apply from the day you enter into the Deferred Payment Scheme and will continue to accrue until the debt is repaid.

You will receive a statement every 6 months advising you how your charge is being calculated and what the outstanding sum on your deferred payment account is.

Your agreement with Solihull Metropolitan Borough Council

If you decide to use the Deferred Payments Scheme, **you enter into a legal agreement with us by signing an agreement document.** We then place a 'legal charge' on your property to safeguard the loan. **You will be charged for this expense.**

The agreement covers both our responsibilities 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 to pay each week from your income and other capital.

You can have a Disposable Income Allowance and keep more from your income to help towards these expenses. Or you can choose to keep less and pay more towards your care costs, thus reducing the amount to be deferred.

If you enter into a Deferred Payment Agreement and choose to rent the property out, you can retain 10% of the rental income in addition to your Disposable Income Allowance.

You can end the Deferred Payment Agreement at any time by repaying the full amount due or when you sell your property and we are repaid.

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

Once the Deferred Payment Agreement ends, if we conclude that active steps are not being taken to repay the debt, for example if the sale is not progressing and we have actively sought to resolve the situation (or we conclude an executor is wilfully obstructing sale of the property), we may enter into legal proceedings to reclaim the amount due to us.

We cannot cancel the agreement without your consent.

Advantages of using the Deferred Payments Scheme

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

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, you can decide to take advantage of the Deferred Payments Scheme and add the cost of the 'top up' payments to your Deferred Payments Scheme loan, if we agree that there is enough equity in your home.

The Government states 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 your family – **so a deferred payment is currently the only way of paying the top up yourself without depending on a third party.**

Costs associated with the Deferred Payments Scheme

There are legal costs for a Land Registry charge and for a land search. There is also an administration charge for setting up the Deferred Payment Agreement and on-going monitoring of the agreement. These are published in the Council's Fees and Charges Schedule which is available to view at:

http://eservices.solihull.gov.uk/mgInternet/ieListDocuments.aspx?CId=127&MId=3545&Ver=4 (Appendix A).

You can defer these costs until the end of the Deferred Payment Agreement in the same way as your care costs, or you can pay these costs separately.

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 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.

You can also choose to rent out your property if you enter a Deferred Payment Agreement and this could reduce the amount deferred.

There are also various equity release products which may 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.

You should also seek advice from the Department for Work and Pensions (DWP) about the effect of retaining your property on any DWP administered benefits that you are receiving.

PLEASE NOTE:

Acceptance of any application under the scheme is subject to you meeting the criteria for entering the scheme, and the Council being able to register a legal charge on your property.

If you wish to apply for the scheme:

Telephone: 0121 704 8007 and ask for the Financial Assessment Team.

Email: incomeandawards@solihull.gov.uk

Write to: Income and Awards
PO Box 13672
Council House
Solihull
B91 9GN