Brighton & Hove City Council

Brighton & Hove City Council
Financial Assessment Team
2nd Floor Bartholomew House
Brighton BN1 1JE
01273 295660

Deferred Payments Scheme

What is the 'Deferred Payments Scheme'?

The Deferred Payments Scheme is designed to help you if you have been assessed 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 Brighton & Hove City Council using your home as security. It does not work in exactly the same way as a conventional loan – the Local Authority does not give you a fixed sum of money when you join the scheme but pays 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.

The Council pays the part of your weekly charge that you cannot afford until the value of your home is realised. 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. 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 do not want to. You may, for example, decide to keep your home for the rest of your life and repay 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 the Council, and minimising the eventual debt.

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 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 local authority currently charges 1.45%. This interest will be compounded on a 4 weekly basis.

The interest will apply from the day your deferred payment begins. Statements showing both the outstanding sum on your deferred payment account and how the interest is being calculated will be sent to you every 6 months.

Your agreement with Brighton & Hove City Council

If you decide to use the Deferred Payments 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 own responsibilities, one of which is to make sure that your home is insured and maintained. If you incur expenses in maintaining your home then to help cover these an amount of up to £144 per week might be allowed from the amount that you are assessed to contribute from your capital and income.

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. The Council 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 a requirement to pay a ‘top up’ towards your care fees and you decide to take advantage of the Deferred Payments Scheme then, if the Council agrees that there is enough equity in your home, you can add the value of the ‘top up’ payment to your deferred payment. 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 the only way of paying the top up yourself without depending on a third party. However, during any 12 week property disregard period the resident may choose to top up the care home fees from their own financial resources and this will be dependent on their individual financial circumstances

Costs associated with the Deferred Payments Scheme:

There are associated costs with a deferred payment, including fees for the Land Registry charge and general administration. To cover these costs the Council charges a one off fee of £523.

However, before agreeing your deferred payment the Council will seek an estimated valuation of your property based on similar properties that have been sold recently or are on the market currently. If no such valuation is available or you do not agree with the Council’s valuation then an independent valuation may need to be provided, at your own expense.

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 or 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 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.

In order to apply for the Deferred Payment Scheme you must:

• have capital (excluding the property) of less than £23,250

• be professionally assessed as requiring permanent care in a registered care home

• own or have part legal ownership of a 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)

• have mental capacity to agree to a deferred payment 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, and you will be liable for these expenses yourself

• insure your property at your own expense

• 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.

• there can be no other beneficial interests on the property, for example outstanding mortgages or equity release schemes, unless this is approved by the Local Authority.

PLEASE NOTE:

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.