

Adult Social Care



Reading
Borough Council
Working better with you

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Deferred Payment Agreement Scheme

If you have been assessed to pay the full cost of your care home fees - but you can't afford to pay the full weekly cost because most of your capital is tied up in your home you may wish to apply for a Deferred Payments Agreement.

This leaflet explains how Deferred Payment Agreements work and how to apply if you are eligible. We also recommend that you read our leaflet 'Meeting your Care Home Costs'.

What is the Deferred Payment Agreement Scheme?

The Council's Deferred Payment Agreement Scheme effectively offers you a loan using your home as security.

It doesn't work in exactly the same way as a conventional loan – you don't get a fixed sum of money when you join the scheme - but the Council pays your weekly care and support costs to your care home

This "loan" is set up through a legal agreement between you and the Council called a 'Deferred Payment Agreement'.

- you pay a weekly contribution to the Council towards your care home costs from your income and savings – worked out by a financial assessment.
- We pay your weekly care home cost to your care home - including the part of the cost that you can't afford until the value of your home is realised. This part is your 'Deferred Payment'. Your deferred payment builds up as a debt.
- We charge you interest on your deferred payment – which you can defer and add to your deferred payment debt.
- We place a legal charge¹ on your property as security against the value of your debt. We release this charge when your deferred payment debt is cleared and you no longer require deferred payments. This could be:
 - ♦ when your property is sold
 - ♦ when your estate is being administered
 - ♦ at any other time if your deferred debt is repaid in full and you no longer wish to defer your payments
- We charge you administration fees which can be paid when they are due, or you can add

¹ A legal charge is a legal document held by the Land Registry registered against the title of a property. It is a bit like a mortgage as it details who money is owed to and ensures that the money is repaid when the property is sold.

them to your deferred payment (and pay interest on them).

- A legal charge is a legal document held by Land Registry registered against the title of a property. It is a bit like a mortgage as it details who money is owed to and ensures that the money is repaid when the property is sold.



In some situations we may agree to a 'loan-style' DPA where we pay instalments of your deferred care costs to you to pay your care provider directly.

Who can apply for a Deferred Payment Agreement?

You can apply for a Deferred Payment Agreement if ALL of the following apply to you:

- Your care and support assessment shows your ongoing needs are best met in a care home²
- Your savings and investments (other than your property) are LESS than £23,250
- You are a legal owner³ of, or have a beneficial interest⁴ in a property that was your main home before moving to your care home
- Your property has not been disregarded in your financial assessment (other than during the 12-week-property disregard period)
- Your property is registered with HM Land Registry (your property may not be registered if you have owned it for a long time) - if it isn't registered you must arrange for it to be registered at your own expense.
- You can provide adequate financial security for your deferred payments. This is usually a legal charge (like a mortgage) against your property. If you jointly own your property, ALL joint owners must agree to:
 - ♦ a legal charge being placed against the property and
 - ♦ the property being sold when the Deferred Payment Agreement ends - unless the debt can be repaid in full by other means.
- You have mental capacity and you are willing to enter into a legal agreement (or you have a legally-appointed representative willing to enter into an agreement on your behalf)

How much does it cost to arrange an Agreement?

In addition to the cost of your care home fees you will pay:

- Any costs we incur to set-up your Deferred Payment Agreement. This may include: legal costs of making the agreement and placing a legal charge to secure the debt; administration costs of making the deferred payment and charging arrangements, Land Registry fees
- An annual fee for administering your agreement (to cover our costs of paying your care fees, monitoring your deferred payment account and sending you regular statements)

² *in exceptional cases, in rented supported accommodation (Supported Living accommodation; Shared Lives Scheme; Extra-care housing)*

³ *You are a legal owner if your name is registered on the Title deeds of the property.*

⁴ *If someone else is the legal owner (named on the Title deeds) but holds the property in Trust for you, you have a beneficial interest in that property.*

- Interest on your deferred payments (there is information about interest below)

All of the costs can be added to your deferred payment to be repaid at the end of your Deferred Payment Agreement – if you wish.

We will charge interest on ALL costs you choose to defer - at the same rate as your deferred care home fees.

You must decide if you wish to defer your legal and administration costs before you enter into a Deferred Payment Agreement.

Other costs

You will also be responsible for paying for your own legal and financial advice services.

How much interest do you charge?

We charge the maximum rate set by the Government for deferred payment agreements.

This rate is currently based on the cost of Government borrowing and is reviewed every six months from 1st January and 1st July each year.

We charge interest from the date your Deferred Payment Agreement starts. Interest is compounded daily.



See www.reading.gov.uk/chargesandinterestrates for current rates

Things to consider and alternative funding options

How you fund your care home is an important financial decision and you should consider all the options available.

We have listed some of the advantages and things you might want to consider about the deferred payment scheme and some other funding ideas.



Before you make any decisions we strongly advise you to seek independent financial advice to make sure you understand all the factors involved and how they relate to your own personal and financial situation.

Some of the advantages of a Deferred Payment Agreement

If you have a Deferred Payment Agreement:

- Your care home fees will be paid without you having to sell your property immediately - you can use the Agreement like a bridging loan until your property is sold.
- Your care home fees will be paid without you having to sell your property in your lifetime. If your deferred debt is fully repaid from another source when your agreement ends your property may not need to be sold at all.
- Your property may increase in value over the Agreement period - this could help offset your deferred debts.
- If you choose to rent out your home⁵ we will take your rental income into account when we work out how much you should pay towards your weekly care home costs - this will help reduce the costs you need to defer. see www.reading.gov.uk/landlordadvice.

⁵ You must seek agreement from the Council before you rent out your property while you are on a Deferred Payment Agreement and you must have appropriate insurance.

- If you choose a more expensive care home than the Council would normally fund and you are required to pay top-up fees we may agree to defer these additional costs.
- You can still receive disability benefits (such as Attendance Allowance or the Care Component of the Disability Living Allowance or the Daily Living Component of Personal Independence Payments) while you defer your payments – we count these as income when we work out your weekly contribution to your care home costs and which will reduce the amount you need to defer.

Things to consider with a Deferred Payment Agreement

- You **MUST** continue to maintain your property and insure your property (including appropriate cover if you are leaving it empty) for the duration of your Agreement.
- You must pay set up fees, annual administration charges and interest on all your deferred debts.
- If the value of your property value falls during the period of your Deferred Payment Agreement you (or your estate) could have less equity once your debt is repaid.
- If you rent out your property you will have to take on the responsibilities of being a landlord

Other funding options to consider:

Depending on your circumstances you may be able to:

- **Rent your property out** - the income you receive from rent, together with your other income and savings may be enough to cover the full cost of your care (this obviously depends on the rent you could get, the cost of your care home and your income and savings).

Your tenant(s) will pay utility bills and Council Tax - this will reduce your outgoings.

You will have the responsibility of being a landlord and you will still have to maintain and insure your property. You can find advice for landlords at www.reading.gov.uk/housing.

- **Sell your property straight away** and invest the proceeds of the sale in:
 - ♦ a deposit account
 - ♦ investment portfolios
 - ♦ an annuity – like a care fee annuity

You may be able to Claim Pension Credit, Employment Support Allowance or Universal Credit (if you are eligible) to supplement your income while you are actively selling your property and use this money to pay towards your care home costs during this time.

- **Pay the full cost of your care from available income and savings/assets** or with help from a family member.

While you are responsible for paying the full cost of your care home you are likely to be eligible to receive Attendance Allowance (if you're over state pension age) or Personal Independence Payment Daily Living Component (if you're under state pension age) or Disability Living Allowance Care Component (if you already receive DLA).

How do I find independent financial advice?

Independent Financial Advisers (IFAs) provide 'regulated' financial advice. They are fully trained and qualified to provide financial advice and must meet standards set by and regulated by the Financial Conduct Authority (FCA).

IFAs don't receive money for recommending certain financial products, so they aren't biased towards recommending a particular financial solution for you.

Some IFAs hold additional, specialist qualifications which show they have knowledge and understanding of the things you should consider when you make decisions about paying for your long-term care.

You can find more information about Specialist Care Fee Advisers from the Money Advice Service (www.moneyadvice.org.uk) – an organisation set up by Government to provide advice and guidance about money matters.

How do I find an Independent Financial Adviser?

- The Society of Later Life Advisers (SOLLA) accredits advisers who are qualified in providing advice about long term care planning and care fees. [Search their website www.solla.org.uk/](http://www.solla.org.uk) to find a local accredited adviser
- We work in partnership with "My Care My Home" to help you access independent financial information and advice about paying for care and support.
[Call free on 0800 731 8470 or email info@mycaremyhome.co.uk](http://www.mycaremyhome.co.uk) to discuss your financial options in more detail or arrange for an adviser to visit you at home. This service is free of charge.

My Care My Home can also refer you to other financial advice services, including services regulated by the Financial Conduct Authority (FCA). There may be a charge for independent financial advice services - My care My Home will always advise you this before making a referral.

If we think you may be eligible to apply for a Deferred Payment Agreement your social care worker will offer to refer you to My Care My Home.

Will the Council approve my application?

Mandatory Deferred Payment Agreement

If you meet **ALL** of the following criteria you will be eligible for a Mandatory Deferred Payment Agreement and we **MUST** approve your application.

- Your adult care and support needs assessment shows you have needs which are best met in a care home permanently.
- Your savings and investments (excluding your property) are LESS than £23,250
- You are the legal and beneficial owner of a property (that was your main home prior to moving to a care home) AND:
 - ♦ You are the ONLY* owner AND
 - ♦ You are the freeholder* of the property AND
 - ♦ You don't have any loans secured against the property (like a mortgage or equity release) AND

- ♦ Your property title is registered with the Land Registry AND
- ♦ You have appropriate property insurance in place
- Your property is not disregarded in your financial assessment (other than during a 12 Week Property Disregard Period)
- You have mental capacity (or you have a legally-appointed representative who can act for you) and are willing to:
 - ♦ Enter into a legal agreement with the Council and comply with the requirements AND
 - ♦ Consent to the Council placing a first legal charge against your property

*If your property is leasehold and/or jointly owned we will still approve your application if the freeholder and/or all joint owners agree to the Council placing a first legal charge against the property.

Discretionary Deferred Payment Agreement

If you don't meet ALL the criteria for the Mandatory Deferred Payment Agreement we can consider your application for a discretionary DPA if you meet the following conditions.

- You've been assessed as having needs which are best met in a care home permanently, or in exceptional circumstances, the Council may consider an application for a Deferred Payment Agreement if your needs are to be met in rented supported accommodation (shared lives scheme, supported living, extra-care housing scheme)
- The value of your savings/investments (other than your own property) is LESS than £23,250
- You have a legal or beneficial interest in your property (that was your main home prior to moving to a care home), the value of which together with your savings and investments brings your total capital assets over £23,250 AND:
 - ♦ IF you own your property with other people (or another person) all owners must agree to the property being used as security against your deferred payment and must give written consent for a legal charge to be placed against the property and give written consent to the property being sold if your debt is not repaid in full at the end of your Deferred Payment Agreement.
 - ♦ IF you are not the freeholder of your property (that is, you are the leaseholder only) you must check that the freeholder does not have a restriction on you using your property capital to secure your deferred payment through a legal charge.
 - ♦ IF you have a loan secured on your property which means the Council can't place a first legal charge, the Council will consider whether a second legal charge will provide adequate financial security against your deferred payments.

IF you can't meet these requirements you MUST identify an alternative form of security with your application (this could be a letter from the solicitor acting in the sale of your property who will provide us with a written

'undertaking' to repay the Council the full amount of your deferred payments

when your property sale completes). You can find more information about alternative forms of financial security in our Deferred Payment Agreements Policy.

- Your property is not disregarded in your financial assessment (other than during a 12-week-property-disregard period)
- You have mental capacity (or you have a legally-appointed representative who can act for you) and are willing to:
 - ♦ Enter into a legal agreement with the Council and comply with the requirements
 - ♦ Consent to the Council securing a legal charge or mortgage against your proposed asset (usually your property) that you have identified as financial security for your deferred payments.

What is in a Deferred Payment Agreement?

It is a legal document that sets out the Council's responsibilities and your responsibilities while your Deferred Payment Agreement is in place. For example, it sets out:

- your responsibilities to maintain your property throughout the agreement period and ensure your property is appropriately insured
- the information we are required to provide to you and the information you must give to the Council over the course of the agreement.

We can give you a sample Deferred Payment Agreement to give you an idea of what it contains so that you can discuss it with a legal advisor if you wish. Please ask the Financial Assessments and Benefits Team for a sample Deferred Payment Agreement, or see the national sample on www.local.gov.uk

How do I apply for a Deferred Payment Agreement?

If you haven't had a Care and support Needs Assessment yet please call Adult Social Care Services to arrange this (*see page 15*)

- If your Care and Support Assessment shows that you have needs that would be best met in a care home and that you may be eligible for a Deferred Payment Agreement we will:
 - ♦ give you information
 - ♦ carry out a financial assessment of your personal circumstances and
 - ♦ support you to access independent financial advice.
- When we confirm your financial assessment we will send you a Deferred Payment Agreement Application Form. You should return your fully completed form within five weeks of moving into your care home so we can set up your Deferred Payment Agreement before the end of your 12 Week Property Disregard period.
- We will review your application against our eligibility criteria. If you don't meet the criteria for the Mandatory Deferred Payment Agreement Criteria we will consider you for a Discretionary Deferred Payment Agreement.
- We will write to you to confirm our decision - if we offer you a Deferred Payment Agreement you should consider the details of the offer and our conditions before you decide.
- Once we receive confirmation that you have accepted our offer we will draw up a Deferred Payment Agreement (the legal document) and send this to you to sign and return to us with the required documents.

- Once we receive your signed Deferred Payment Agreement and other legal documents we will make the arrangements and confirm this with you. We will charge our set up costs to you (either for immediate payment, or to be deferred – depending on what is within your Deferred Payment Agreement).
- We will send you regular statements (at least every six months) to show your Deferred Payment Account, which sets out your outstanding deferred payment debt and your charges for the period.
- We will also use the account to track if you are approaching the upper capital limit, when you may become eligible for some support with your care and support fees. If this happens, we will contact you to carry out a new financial assessment to review your situation and changes. Even though you may not be deferring any further care costs, your Deferred Payment Agreement will continue – and interest and administration charges applied - until your debt is repaid in full.

How do I end the Agreement?

You can end the agreement at any time by repaying the outstanding debt in full and not deferring any further care home fees.

Otherwise your agreement will end on your death - your debt becomes payable 90 days later.

What happens if you refuse my application?

We will confirm this in writing and explain why we refused your application. We will also tell you how you can appeal if you disagree with our decision.

People lacking mental capacity

You can only apply for a Deferred Payment Agreement if you have mental capacity to enter into the agreement yourself or you have a legally-appointed representative (someone with a registered Enduring Power of Attorney or who holds a Lasting Power of Attorney or who has been appointed to be your Deputy by the Court of Protection).

Interim Funding for people without a legally-appointed representative

We understand that situations can change very quickly and it isn't always possible to have a legally-appointed representative in place before the need for a Deferred Payment Agreement arises.

In these cases we operate an Interim Funding Policy – a short-term arrangement which lasts until your financial representative has secured the legal authority to enter into a Deferred Payment Agreement on your behalf.

The arrangements and application process are similar to a Deferred Payment Application but your representative must:

- Confirm what steps he/she is taking (or has taken) to become your legal representative (for example - they are applying to the Court of Protection to become your deputy) AND
- Supply the Council with a written undertaking to either:
 - ♦ repay the full amount of the accrued interim debt to the Council once they have been officially appointed as your legal representative or
 - ♦ enter into a Deferred Payment Agreement with the Council when appointed as your legal representative

We will consider the information provided and decide if we can agree an Interim Funding arrangement.

If we agree to an Interim funding Arrangement we will charge interest on the interim payments paid to your care home on your behalf.



See www.reading.gov.uk/chargesandinterestrates for current rates

What if I am not happy with the service?

We always try to offer the best possible service but from time to time things can go wrong.

If you are unhappy with the service we provide or the way you have been treated by a member of our staff, please tell us straight away. As soon as we know there is a problem we can take steps to put things right, or at least to explain why we can't do things differently.

The easiest way to complain is to talk to your social care worker or their manager. If you don't feel comfortable with this, or you have not had a satisfactory response to your complaint, please contact our Customer Relations Manager.

Where can I find more information?

Visit www.reading.gov.uk/carechargesframework to find the following:

- Deferred Payment Agreements Policy
- Deferred Payment Agreement Application form
- Interim Funding Policy
- Interim Funding Application form
- Schedule of Fees and Charges
- Deferred Payment/Interim Funding Appeal Request Form

Contact Us

FAB Team:

Tel: 0118 937 3724

[Email: fab.team@reading.gov.uk](mailto:fab.team@reading.gov.uk)

Secure webform: www.reading.gov.uk/contactfab

Adult Social Care Teams

Older people and adults with disabilities Tel: 0118 937 3747

Mental Health Services Tel: 0300 365 0300

Customer Relations Team

Tel: 0118 937 2905

[Email: socialcarecomplaints@reading.gov.uk](mailto:socialcarecomplaints@reading.gov.uk)