

Deferred payment scheme

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Using the value of your home to pay towards residential care

The deferred payment scheme

This factsheet is for people who are about to move into permanent residential accommodation. It is designed to help people discover whether they are eligible for a deferred payment to help them with the costs of residential care without necessarily having to sell their home within their lifetime.

What is a Deferred Payment Scheme?

Under the Care Act 2014 the Council has a duty to offer all eligible applicants the opportunity to apply. A deferred payment scheme is an arrangement with the Council that will enable you to use the value of your property to help pay care home costs if you have savings below £23,250.

Once the decision has been made to enter permanent residential care a financial assessment is completed which will determine the client contribution you should pay from start of the placement. This will be based on your Income and savings. Under the scheme you can keep up to £144 per week of disposable income for the upkeep of your property. You may decide to keep less of this allowance and contribute more to the costs of care. This will reduce the amount to defer.

The difference between the cost of the placement and client contribution is then paid to the home by the Council. This deferred payment builds up as a debt. What this means in practical terms is that in exchange for a legal charge on your property (similar to a mortgage) the Council will pay the part of your care home fees that you

cannot pay. For most people this debt will be cleared when you sell your home. You can also pay the debt back from another source if you want to. For example, you may 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 client contribution that you are assessed to pay each week. This will reduce the weekly payments made by the Council, minimising the eventual deferred payment debt.

The amount you can "borrow" is set according to the value of your home. In London Borough of Waltham Forest this is 90% of the value of the house less an allowance of £14,250. In order to do this an agreed valuation of your home will be required.

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

- Be assessed by Adult Social Services as needing to go permanently into a care home
- Have capital (excluding the property) of less than £23,250
- Own or have part legal ownership of a property which would be included as part of the financial assessment process
- Have agreement by all parties of a part legal ownership to enter into the scheme
- Ensure the property is registered with the Land Registry (if the property is not, you must arrange for it to be registered at your own expense)
- There can be no other beneficial interests on the property, for example outstanding mortgages or equity

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. London Borough of Waltham Forest currently charges 2.65% up to 30th June 2015. This will change to 2.25% from 1st July 2015. Interest will be compounded on a daily basis.

The interest will apply from the day you enter into the Deferred Payment Scheme.

You will receive regular 6 monthly statements advising you how your charge is being calculated and what the outstanding sum on your deferred payment account is. You can request a statement at any time and the Council will provide you with a response within 28 days.

Things to Consider

If you decide to use the Deferred Payment Scheme, you enter into a legal agreement.

- You are entitled to a 12 week property disregard. This means that for the first 12 weeks of the placement you will be assessed to contribute just based on your client contribution. From the 13 week onwards the value of your property will be taken into account and the deferred payment scheme will commence
- A legal charge will then be secured against your property
- You will need to maintain and pay for insurance of your property at your expense. You will also be responsible for the upkeep and maintenance of the property
- If you rent out the property the income will be included towards the client contribution which will help reduce the

- amount of the loan
- By entering into a deferred payment scheme you will still be entitled to attendance allowance
- The money must be repaid either when the property has been sold or when you terminate the agreement. Otherwise the agreement will end when you pass away when the loan must be payable 90 days later. This must be dealt with before any other proceeds of the estate is distributed.
- The Council cannot cancel the agreement without your consent.

Top Up and other Charges

A top up is the difference between the weekly cost of the residential care home and what the Council is prepared to pay.

Under the deferred payment scheme there is the possibility that the top up can be included within the scheme.

Set-Up and Administration Costs

You will be asked to meet the costs of land registry searches and any other legal costs in taking out the legal charge on your home.

These set-up expenses can be paid up front but can also be added to the deferred contributions if desired.

Such costs would include:

Property valuation
Drawing up a legal agreement
Placing a legal charge on the property
Other administrative costs.

If these costs are deferred they will be subject to interest charges.

Appeals

The Council has a duty to offer a Deferred Payment to everyone who is eligible. However, if your request is refused you will be given the reason in writing and you will be advised on how to appeal against the decision.

Independent Advice

You are strongly advised to seek independent financial and legal advice before arrangements are finalised to decide which course of action will be financially better for you.

If you wish to apply to the scheme please contact the Financial Assessment Unit.

To contact us:

Email: residentialfau@walthamforest.gov.uk or telephone 020 8496 3404, 020 8496 3492 or 020 8496 3490

If you require this information in a larger print please call 020 8496 3595 / 3669.

How to contact adult social care

You can telephone us between 8am - 6pm, Monday to Friday on 020 8496 3000 Minicom 020 8496 3010
If you are worried that someone you know is at risk of harm, neglect or mistreatment please call us in confidence.

Visit Customer Services at your nearest Library Plus, between 9am - 5pm, Monday to Friday:

Walthamstow Library
High Street
Walthamstow
E17 7JN

Leyton Library
High Road
Leyton
E10 5QH

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The Green
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E4 7EN

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