

Deferred Payment Scheme Information Sheet

This leaflet provides basic information about the council's Deferred Payment Scheme.

People considering applying for a Deferred Payment Agreement are advised to seek appropriate independent information and advice.

1 Overview

- 1.1 A Deferred Payment Agreement (DPA) may allow you to delay selling your home during your lifetime to pay for the care you receive in a care home.
- 1.2 A DPA can provide peace of mind for you and your relatives when you are moving into a care home, often at a crisis point.
- 1.3 When calculating the contribution that you will need to make towards the cost of your care the council will usually ignore the value of your main home for the first 12 weeks after you enter a care home, supported living or an extra care setting. This is called the 12-week property disregard. Once the 12-week period ends, unless another property disregard applies, the value (equity) of your home is included in your financial assessment. This usually means you will have to pay for the full cost of your care.
- 1.4 In order to apply for a DPA you must be able to manage your own finances or someone else must have a legal power to act on your behalf, see section 2.
- 1.5 If the council agrees that you need to move to residential care, an extra care service or supported living, you can apply for a DPA.
- 1.6 Depending on how much equity you have in your home, a DPA can last until death, or it can be used as a type of 'bridging loan' to give you time to sell your former home at a time that is convenient to you.
- 1.7 The council will charge fees and interest to cover the administrative costs associated with setting up and managing the DPA. Details of the current Deferred Payment Scheme fees can be found below and online at [Leicestershire County Council: Using your home to pay for a care home](#). The council cannot charge more than the

costs in providing the Deferred Payment Scheme as set out by Central Government.

- 1.8 In most cases, in order to agree to a DPA the council must be satisfied that the arrangement will be sustainable given the equity available in your property and the total costs you wish to defer.
- 1.9 Once an application for a DPA is made but cannot be, or is not, completed, for example, because the application is withdrawn, the resident dies or the terms and conditions of the scheme are not met then you, or your estate, will be liable for all fees and costs incurred up to that point. Fees can be paid at each stage.
- 1.10 If the DPA is completed fees can either be paid or added to the deferred amount. Additional interest will be payable if the fees are deferred.
- 1.11 In order to be able to complete a DPA the council needs to be able to place a Land Registry Charge against your property. If the property already has other legal charges, such as a bank, building society loan or mortgage or equity release loan, you should check with them that they consent to the council's charge. If they won't consent it is unlikely that a DPA could be completed and you may, therefore, prefer not to apply for a DPA and incur the application fees.
- 1.12 If your property is 'sold subject to contract' the council will usually accept an undertaking signed by a solicitor promising to pay the amount owed to the council when the sale is completed. You may prefer, therefore, not to apply for a DPA and incur the application fees. If the council does not receive the completed undertaking or the sale is delayed, you will have to pay for your care home placement directly with the care home provider or complete a DPA application.
- 1.13 In deciding whether to apply for a DPA or pay for your care yourself you should check with the care home what their charges would be in either case. Care homes often charge significantly higher care fees for privately funded residents, rather than the rate charged to the council.
- 1.14 When a DPA is in place, you are usually required to pay an on-going weekly contribution towards the cost of your care from your income, for example pensions and social security benefits. The council will calculate the amount you are required to contribute and send you invoices every 4

weeks. You are entitled to retain £144.00 per week of your income to meet your other expenses. This is called the 'Disposable Income Allowance' (DIA). You can choose to retain less of your income if you wish to. This would increase the on-going contribution to your care and therefore reduce the amount owed, including interest, to the council. This on-going contribution cannot be deferred.

- 1.15 During the time that a DPA is in place you must provide the council with up to date information of any other mortgage or equity release policies, insurance policies and tenancy agreements, where applicable.

2 Capacity to request a DPA

- 2.1 In order to enter into a DPA with the council you need to have the mental capacity to understand the implications of the agreement. If you do not have the mental capacity, someone must have an Enduring Power of Attorney, a registered Lasting Power of Attorney Property and Financial Affairs, or a Deputyship Order from the Court of Protection to act on your behalf. The Deputyship Order must allow the Deputy to agree a legal charge against a property. This is not always the case, for example, where they are joint owners of the property.
- 2.2 If a family member wishes to request a DPA for someone without mental capacity but does not have the legal power to do so, they should first apply for Court of Protection Deputyship. Information and application forms can be found on the internet at: [Gov.uk: Deputies overview](https://www.gov.uk/deputies-overview)
- 2.3 Whilst a person lacks mental capacity and no one else has the required legal power to apply for a DPA the council will usually arrange and pay for the appropriate care. Once a Deputy is appointed the council will seek recovery of the cost it has incurred for care on behalf of the individual.
- 2.4 If no family member is able to apply to become a Court of Protection Deputy the council will consider applying to the Court either to become Deputy itself or for a Panel Deputy to be appointed.
- 2.5 The council recommends that you consider the future and the possibility that you could lose mental capacity whilst the DPA is in place. You may wish to appoint an Attorney who would be able to make decisions on your behalf should you become unable to do so in the future.

3 Setting up the Agreement

- 3.1 The council will need to be confident that the amount deferred will be repaid in the future. The council will place a legal charge on your property to protect the debt owed.
- 3.2 The property must be registered with the Land Registry. In exceptional circumstances, if it is not possible to secure the debt by way of a legal charge, the council may consider other ways to secure the DPA. You should contact the council if you think this might apply in your case.
- 3.3 The legal charge (see paragraph 3.1) will be removed when the outstanding debt, including interest and fees, has been paid in full to the council.
- 3.4 There will be a formal written agreement between you, any joint owners, and the council. This is called the Deferred Payment Agreement (DPA). The level of charges, interest rate, and projected costs will be set out in the agreement.
- 3.5 If the property is jointly owned all owners must be signatories to the DPA.
- 3.6 If you meet all the required terms and conditions, there are two styles of DPA:
 - a 'traditional' DPA where the council contracts directly with the care home on your behalf or
 - a 'loan style' DPA where you contract with the care home directly and the authority loans you the approved cost of the care in instalments, less the on-going contribution you are required to make.

In deciding what style of DPA to choose you should check with the care home what their charges would be in either case. Care homes often charge significantly higher care fees for privately funded residents compared with the rate charged to the council. This means the care home charges are likely to be higher with a 'loan style' DPA.

The administrative costs of the 'loan style' DPA may be higher than the 'traditional' DPA. If the local authority discovers that any amount loaned under a 'loan style' DPA has not been used to pay for the care charges, the council may demand immediate repayment of that amount with interest.

- 3.7 Until the DPA is completed the council will invoice you for the full amount of the on-going contribution towards the cost of the care. The council will not continue to pay for care if a completed DPA is not in place. In such cases, you will need to arrange to pay the full cost of your care home place directly with the care home.
- 3.8 The council will charge fees in relation to a DPA. The amounts are set out in 'Deferred Payment Agreement - Tariff of Charges' below.
- 3.9 The council will charge an annual fee to cover the ongoing administration costs of the DPA. You can choose to pay the annual fees as they occur or add them to the amount owed to the council.
- 3.10 Daily compound interest is payable on the deferred costs from the day the DPA starts. Interest is calculated at the national maximum interest rate set by the Government and published in the Economic and Fiscal Outlook. This is usually published twice yearly alongside the Budget and Autumn/Spring Statement. The interest rate may change from time to time. Please refer to the table at the end of this information sheet for interest rate history. You can choose to pay the interest each month or add the interest to the amount owed to the council.
- 3.11 The council will provide you with 6-monthly statements of the amount owed to the council setting out:
- a. Interest and charges accrued to date
 - b. Total amount due
 - c. Equity remaining in the property
 - d. A forecast of how quickly the equity in the property would be depleted using the current payment rates.
- 3.12 You can request a statement from the council at any time. The council will send the statement within 28 days.
- 3.13 The council's Property Services Team will value your property. A valuation will be required every 2 years and also, when the total deferred reaches 50% and 70% of the property value.
- 3.14 The maximum amount that can be deferred, known as the 'Equity Limit', is:

The value of the property less 10%, less the lower capital limit (currently £14,250).

- 3.15 For example: if Mrs Jarvis owns a house that is worth £200,000 the maximum amount that she could defer would be:

£200,000 less £20,000 less £14,250 = £165,750

- 3.16 The council will contact you when the amount owed to the council is equal to 70% of the 'Equity Limit'. This will be to discuss when you might be eligible for any council funded support, the implications for any 'top-up' fees and consider whether a DPA continues to be the best way to meet your care costs.
- 3.17 Once the 'Equity Limit' is reached, no further care costs can be deferred against the property. You will be re-assessed to identify if, and when, you are entitled to council assisted funding. The DPA (and the related Land Charge) will remain in place until it is ended, and compound interest will continue to be charged on the amount owed to the council. This interest can continue to be deferred.
- 3.18 The council will reassess the value of the property when the amount deferred reaches 50% of the property value to ensure that there is sufficient equity for the future care costs and fees.
- 3.19 Once a DPA is agreed, you will be unable to take out any further loan against the value of your property without the written permission of the council.
- 3.20 You must continue to maintain your property in good order for the duration of the DPA.

4 First Party top-up arrangements

- 4.1 If you choose to move to a care home that is more expensive than the council's usual rates you may be able to take out a 'top-up' arrangement. You can do this if:
- a. You are within the 12-week property disregard OR
 - b. You have a completed DPA in place. The terms of the DPA agreement will include details of the top-up arrangement and if the top-up payments are deferred.
- 4.2 In order to agree to a DPA which includes deferring a first-party top-up amount the council must be satisfied that the

arrangement will be sustainable given the equity available in your property.

- 4.3 You should consider that over the period of time you are likely to stay in the care home placement the Provider may request an increase in the top-up amount.
- 4.4 The amount of the top-up payment will not reduce if your own assessed contribution alters because of a change in your financial circumstances. Neither will the amount of the top up payment automatically reduce if the Council's normal rates increase.
- 4.5 A third-party top-up amount cannot be deferred. A third party top-up amount would be payable by the separate payor. This amount would be in addition to your own on-going weekly contribution towards the cost of your care from your income.

5 Insurance requirements

- 5.1 You must keep the property appropriately insured, with, for example, empty property insurance or landlord's insurance, with a reputable insurance company.
- 5.2 This will include insurance against all usual risks such as; loss or damage, risks of fire, lightning, explosion, earthquake, storm, tempest, flood, subsidence, landslip, heave, bursting or overflowing of water tanks and pipes, damage by aircraft and other aerial devices or articles dropped therefrom, riot and civil commotion, labour disturbance, malicious damage and damage caused in the course of theft. Insurance, subject in all cases to any exclusions or limitations as may from time to time be imposed by the insurers or underwriters should be for a sum representing the full reinstatement value of the property.
- 5.3 You must provide the council with:
 - a. A copy of the current insurance policy, schedule and certificate of insurance, detailing the cover provided. This may be held by your management company if you live in an apartment or a flat.
 - b. The receipt or other evidence of the last insurance policy renewal.
 - c. Up to date details of the amount insured and period of cover.

- 5.4 You must not knowingly do anything to cause the insurance policy relating to the property to become void or invalid.

6 Renting out the property

- 6.1 The Property must not be let or occupied by any person without the council's prior written consent, which will not be unreasonably withheld. The council will require that a formal shorthold tenancy agreement be in place for the period of the rental agreement. A copy of the tenancy agreement must be provided to the council.
- 6.2 Any tenancy agreement must enable an order for possession to be obtained, after the expiry of an initial term of no more than 6 months, upon two month's written notice.
- 6.3 You must ensure that an adequate level of landlord insurance is in place and provide a copy to the council.
- 6.4 You will be able to keep 50% of the rental income, in addition to the DIA (see paragraph 1.12), if you wish to. The remaining 50% must be used as an addition to the on-going contribution towards your care fees. This will reduce the accruing deferred amount and interest owed to the council.
- 6.5 You should take independent advice about the responsibilities of being a landlord. Information is available on the internet e.g. [Money Helper: Financial responsibilities if you rent out a property](#). Rental income can also affect entitlement to means-tested benefits such as Pension Credit.
- 6.6 Guidance on renting out a property is available on the internet e.g. [Gov.uk: Renting out your property](#). Guidance and a model agreement for a shorthold tenancy is available on the internet e.g. [Gov.uk: Model agreement for a shorthold assured tenancy](#)

7 Refusing a DPA

- 7.1 The council may refuse a DPA where:
- a. It is not able to secure a first charge on the property.
 - b. Someone is seeking a top up that is not sustainable for the likely duration.

- c. Where a person does not agree to the terms and conditions of the agreement, for example a requirement to insure and maintain the property.

8 Ending the DPA

- 8.1 A DPA can be terminated in three ways:
 - a. At any time if you repay the full amount due.
 - b. When the property is sold and the council is repaid.
 - c. After death and the amount is repaid to the council from your estate.
- 8.2 If you require a redemption figure to complete the sale of a property please contact the council's Finance Operations Team on 0116 305 1233 or FinOpsFinalisation@leics.gov.uk
- 8.3 In the event of death, the amount owed to the council under the DPA is due 90 days after the date of death. The council's Finance Operations Team will issue a statement of account and invoice. After the 90-day period interest will continue to accrue and the council may enter into legal proceedings to reclaim the amount due.
- 8.4 Responsibility for arranging repayment of the amount due falls to the personal representative(s) of the estate.
- 8.5 On ending the DPA or on reaching the DPA 'Equity Limit' compound interest will continue to accrue on the amount owed until the amount due to the council is repaid in full.
- 8.6 The council can give notice to cancel its commitment, under a 'loan style' DPA, to lend further amounts if any part of the loan has not been used to pay the care charges for which it was loaned.
- 8.7 Failure to repay a deferred payment or make the required assessed contributions to your deferred payment could result in debt recovery proceedings being taken. The council could make a court claim for a judgement to recover the debt. The council would seek to resolve any repayment issues before such action is necessary. If you have any issues repaying your deferred payment you should contact the council as soon as possible to discuss your situation

Definitions:

The council	Leicestershire County Council.
Deputy	Deputy authorised by the Court of Protection to manage the financial and property affairs of someone who lacks the mental capacity to manage their own affairs.
Eligible Needs	When your needs meet the council's criteria for council-funded care and support.
Enduring Power of Attorney or Lasting Power of Attorney Property and Financial Affairs	A legal document that lets the you appoint one or more people (known as attorneys) to help you make decisions or make decisions on your behalf.
Legal Charge	A legal document held by the Land Registry showing that the council has a claim on your property.
Lower Capital Limit	Savings and assets below this limit are not taken into account for charging purposes (currently £14,250).
On-going Assessed Contribution	This is the amount you are required to pay from your weekly income towards your care whilst the DPA is in place.
Personal Budget	Money that is allocated to you by the council to pay for care or support to meet your eligible needs.
Provider	Organisation providing care services to you.
Top-up	The difference between the actual costs of the provider and the amount that the council would have set in a personal budget to meet your eligible needs.
12-week Property Disregard	The council will not include the value of your property when they calculate your charge for the first 12 weeks that you are in a care home.
Undertaking	This is a document signed by a solicitor promising to pay the amount owed to the council when a property is 'sold subject to contract' and a DPA has not been completed.

Further information

The Deferred Payment Scheme is available on the internet:

1. [Money Helper: Deferred payment agreements for people who own their own home and are moving into a care home](#)
2. [Department of Health & Social Care: Care and support statutory guidance](#)

The Council's Charging for Social Care and Support Policies:

1. [Care Home Funding Booklet](#)
2. [Charging Policy for Social Care and Support](#)
3. [Top-up Payments](#)

Information on Independent Financial Advice is available through:

1. [The Society of Later Life Advisers \(SOLLA\)](#)
2. [Money Helper: Get financial advice on how to fund your long-term care](#)

DPA Interest Rates

2021

1 January to 30 June 2021	0.45% per annum
1 July to 31 December 2021	0.75% per annum

2022

1 January to 30 June 2022	1.05% per annum
1 July to 31 December 2022	1.55% per annum

2023

1 January to 30 June 2023	3.18% per annum
1 July to 31 December 2023	3.43% per annum

2024

1 January to 30 June 2024	4.65% per annum
1 July to 31 December 2024	4.05% per annum

Deferred Payment Agreement - Tariff of Charges - effective from 1 April 2018

Application fee	£241
Valuation fee	£150
Set up costs (per owner living in a care home)	£210
Closure costs (per owner living in a care home)	£203
DPA in place - Annual fee (no valuation)	£95
DPA in place - Annual fee (including valuation)	£245

Once an application for a DPA has been made but the DPA cannot, or is not finalised, either because the application is withdrawn, the resident passes away or the required conditions of the Council's Deferred Payment Scheme are not met the Service User/Applicant/Personal Representative will be liable for all fees and costs incurred, see paragraph 1.9 above.