



DEFERRED PAYMENT AGREEMENTS

2021/22



Deferred Payment Agreements- Later Life Care (England)

What is a deferred payment agreement?

A deferred payment agreement is an agreement with the Local Authority that allows someone to defer or delay paying for the costs of care. The payment for care and support is deferred (not 'written off') and repaid at a later date.

Who is eligible for a deferred payment agreement?

A person should be eligible for a deferred payment agreement if they meet all three of the following criteria at the point of applying:

- If they have been assessed by the Local Authority as having eligible needs that need to be met in a care/nursing home
- Anyone who has less than (or equal to) **£23,250** in assets **excluding the value of their home**
- **Anyone whose home is not disregarded** for the purposes of the charging assessment

'Permitted to' offer a Deferred Payment Agreement

Local authorities are also **encouraged to offer** the scheme more widely to anyone they feel would benefit who **does not fully meet the criteria** for example someone who has over the upper funding levels of £23'250 and those whose care and support is provided in supported living accommodation.

Can the Local Authority refuse a deferred payment even when the criteria have been met?

A local authority may refuse to enter into a deferred payment agreement despite someone meeting the eligibility criteria:

- Where a local authority is unable to secure a **first charge** on the person's property
- Where a person is seeking to pay a **top up** and/or
- Where a person does not agree to the **terms and conditions** of the agreement, for example a requirement to insure and maintain the property.
- Where a person does not have the mental capacity to agree to a deferred payment agreement or have a legally appointed agent willing to agree

How does it work?

The Local Authority agrees to pay care home fees for an agreed eligible care need and will put a legal charge on the property enabling them to recover any monies deferred when the property is sold or after death.

How much does a deferred payment cost?

There may be an administration cost associated with setting up and running a deferred payment agreement, these charges will be added to the total amount of care costs deferred

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What is the interest %?

The Local Authority may also charge interest on any amount deferred from the start of the agreement but must not exceed the maximum amount specified in regulations.

The national maximum interest rate will be reviewed every 6 months on the first of January and July respectively, to track the market gilts rate specified in the most recently published report by the Office of Budget Responsibility (OBR) plus a 0.15% default component. The market gilt rate is currently published in the Economic and Fiscal Outlook, which is usually published twice-yearly alongside the Budget and Autumn Statement on the [OBR website](#).

Period	Interest rate %
1 st Jan– 30 th June 2021	0.45%

How does someone apply for a deferred payment agreement?

You must have been assessed as having eligible needs which the Local Authority and the care need met through a care/nursing home placement. A financial assessment may include a deferred payment application form.

Will there be an ongoing contribution?

Any ongoing financial contribution will be determined by a financial assessment and subject to a means test, based on income, savings and assets. An assessed contribution will reduce the amount deferred. The financial assessment must someone (who wishes to) to keep up to £144.00 per week.

When will the deferred payment agreement have to be paid?

You can sell the home and/or repay the deferred payment agreement at any time. The deferred amount becomes due when a house is sold or a deferred payment agreement can be for the full length of a stay in a care home and paid back out of the estate, after death.

How much can be deferred?

The amount that can be deferred will depend on the value of a property, this determines an 'equity limit' which is calculated as follows:

Property's current market value (CMV); less 10% of CMV; minus £14,250.

For example, if your property is valued at £200,000, your equity limit would be £165,750. ($£200,000 - £20,000 - £14,250 = £165,750$)

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What happens when the equity limit is reached?

The Local Authority will monitor the cost of care and make contact before this happens but if the equity limit is reached, further care costs will not be deferred; however, interest will still be applied to any outstanding deferred debt.

When is a property not taken into account?

There are circumstances when the value of a home is not taken into account during a financial assessment and a Deferred Payment Agreement not appropriate

This is where the property has been continuously occupied (at the time of a move into care) full time or in part by any of the following people;

- a partner, former partner or civil partner, except where they are estranged
- a lone parent who is an estranged or divorced partner
- an appropriate relative or member of the family who is:
Aged 60 or over, or incapacitated, or a child of the resident aged under 18

Can someone live in the property if there is a deferred payment agreement in place?

There may be benefits to keeping a property occupied. If a person would like someone to live in a house during a deferred payment agreement the Local Authority may need to agree and may also require someone to maintain and insure a property as part of the terms and conditions. Rental income will be included in a financial assessment and it may be agreed by the Local Authority for someone to keep a % of any rental income.

How will the home be valued?

The Local Authority will usually carry out a valuation of your property as part of the application process for a deferred payment agreement. There may also be circumstances where a property valuation is required during the life of the scheme as part of the regular review process. The cost of any valuations may be charged through the administration fee for the scheme.

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What if the property is gifted?

If someone gifts a home, savings or other assets before going into a care home or while already living in one, the Local Authority may investigate the circumstances and if a significant factor in the decision to give away the asset or sell it at less than its market value was to avoid paying fees, or to reduce the amount to pay, the asset may still be taken into account in the financial assessment as a notional amount.

Can a deferred payment agreement be paid off early?

A deferred payment can be repaid at any time. Partial repayments may also be made. Once the deferred amount has been fully repaid, the agreement will cease.

What will happen after death?

The executor of an estate should arrange repayment of the money owed to the Local Authority, either by selling the property, or from other assets. This will usually need to be done within 90 days. Interest continues to accrue until the deferred amount is repaid.

What if someone does not have the capacity to understand?

If the Local Authority are concerned that someone applying for the deferred payment agreement does not have the capacity to understand, or won't have capacity to understand in the future, then another person may need to represent them. Only a person that is properly authorised, someone with legal power of attorney or court appointed deputy, can represent someone when applying for a deferred payment agreement.

Top-ups

How much a Local Authority would usually expect to pay for care will depend on things such as the type of care, the care home, room size etc. If someone chooses a care home that is more expensive than the choice of homes Local Authority have offered, the difference in the cost is a shortfall and a top up may be required. A top up or more expensive cost of care may be deferred providing it is sustainable, but this is discretionary.

Financial Advice

Before entering into a deferred payment agreement regulated financial advice is advisable to review all property and funding options before making potentially life changing decisions.

If you would like advice or support the [Care Adviser Network](#) may be able to help, please [find an adviser](#) or contact us. There will be a charge for these advice services.

