

# Deferred Payment Agreements

## Paying for your Care in a Home Barnet Council's Deferred Payment Scheme

### What is a Deferred Payment Agreement?

A Deferred Payment Agreement is an arrangement with the Council that will enable you to use the value of your home to help pay care home costs. If you are eligible we will help to pay your care home bills on your behalf. You can delay in repaying us until you choose to sell your home, or until after your death. It is designed to help you if you have been assessed as having 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.

The arrangement offers you a loan from Barnet Council using your home as security. This is the property that you own and used to be your normal place of residence. It doesn't work in the same way as a conventional loan – we do not give you a fixed sum of money when you join the scheme, but pay an agreed part of your weekly care and support costs 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. We will pay the part of your weekly charge that you can't afford until the value of your home is realised. The part the Council pays is your **Deferred Payment Agreement**.

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 by selling their home, either immediately or later on. You can also pay the debt back from another source if you want to.

You do not have to sell your home if you don't 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 asked to use the rental income to increase the amount you pay each week, which will reduce the weekly payments made by the council and reduce the amount of debt that is building up each week.



## Charging interest

The loan will have interest charged on it in the same way interest would be charged on money borrowed from a bank. The maximum interest rate that will be charged is fixed by the Government. The maximum rate to be charged is linked to the cost of Government borrowing, and will change on 1st January and 1st July every year. Barnet Council reviews its interest rate for Deferred Payment Agreements every three months. Barnet Council's interest rate may be less than the national maximum and it will never be more.

The rate Barnet Council charges is shown at the end of this leaflet. The interest will be compounded on a daily basis. The interest will apply from the day you enter into the Deferred Payment Agreement. You will receive regular statements advising you how your charge is being calculated and what the outstanding sum on your account is.

## Your agreement with Barnet Council

If you decide to use a Deferred Payment Agreement, you enter into a legal agreement with us by signing an agreement document. We then place what is called a 'legal charge' on your property to safeguard the loan. This means that the loan the Council is making to you is 'secured', like a mortgage. You will be charged for the expense to the Council of doing this.

The agreement covers your responsibilities and those of the Council, one of which is to make sure that your home is insured and maintained. If you incur expenses in maintaining your home while you are in the care home, these will be allowed for in the amount that you are assessed as contributing each week from your other capital (savings) and income.

The Government has set an amount per week as the allowance to be made in the financial assessment to cover the costs of upkeep of the property. This is known as your Disposable Income Allowance – this is currently £144 per week.. You can choose to keep less than this amount and pay more of the care home fees each week and therefore reduce the debt that is accruing.

You can end the agreement at any time (for example if you sell your home) but 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 unless you are in breach of your side of it.**



## Advantages of using a Deferred Payments Agreement

**You should take independent financial and legal advice to help you decide which course of action will be financially better for you.**

You may rent out your house and use part of the rental income to increase the amount you pay each week towards your care and support at the care home. This will reduce the amount by which your debt builds up each week.

You may be considering, or you may already have, an agreement for a third party 'top up', where a family member or other person puts additional money towards your placement. If you decide to take advantage of a Deferred Payment Agreement, in some circumstances you can add the cost of the 'top up' payments to this loan, so that the other person no longer needs to make them.

There is nothing to stop someone else paying a third party 'top up' while you also have a Deferred Payment Agreement.

The Government's rules say that 'top ups' for people not using a Deferred Payments Agreement currently have to be paid for by somebody else – for example, a member of their family – so a Deferred Payment Agreement is currently the only way of paying the top up yourself without depending on a third party.

## Costs associated with a Deferred Payment Agreement

There are administrative set-up costs, legal costs, a Land Registry fee and (if required) property valuation costs. There is also an administration charge applied by Barnet Council to keep your Agreement up-and-running each year, for example sending you statements of account. When your Agreement ends, there are also costs associated with this, for example, releasing the legal charge on your property. The charges are shown at the end of this leaflet.

We will write to you separately about these charges if you decide to take out an Agreement.

## 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. Also 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 a Deferred Payment Agreement you must:**

- have capital (savings), excluding the property, of less than the upper funding threshold of £23,250 (2015/16 rates).
- be assessed by Barnet Council as requiring and be entering permanent residential / nursing 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 enter into to a Deferred Payment Agreement or have a legally appointed agent willing to agree this.

(The above conditions are not exhaustive)

### **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; you are liable for any such expenses
- insure your property at your expense. The Council will require proof to be shown of maintenance and insurance on a regular basis
- pay any client contribution in a timely and regular manner; if you fail to pay the client contribution on a regular basis we reserve the right to add this debt to the loan amount.

There can be no other beneficial interests in the property, for example outstanding mortgages or equity release schemes, unless this is approved by Barnet Council.

**PLEASE NOTE:** Acceptance of any application under a Deferred Payment Agreement is subject to you meeting the criteria for entering the scheme, and for us to be able to obtain security in your property. We will ask you to complete an application form. The Council retains discretion to refuse applications.



## Barnet Council – Deferred Payment Agreement charges (from 1 April 2015)

Barnet's Deferred Payments scheme is run on a cost-neutral basis. This means that all charges to you are made at cost to the Council. The rates for 2015-16 are shown below:

### Charges for Universal Deferred Payments 2015/16

Standard administrative and processing charge	<b>£18.27/hour</b>
Standard legal charge	<b>£52.29/hour</b>
Non - standard legal charge	<b>£71.59/hour</b>
Land Registry Fees	<b>£26.00</b>
Property Valuation Fees	<b>£250.00</b>
*Please note these charges are reviewed every year.	

### Interest rate charges

Initially for the period 1 April 2015 to 30 June 2015, the interest rate for deferred payments is **1% annual percentage rate**. Deferred payment interest rate charges will be reviewed every three months by Barnet Council. For information on interest rate charges please contact the Financial Assessment Team.

**Barnet Council recommends that anyone considering a Deferred Payment Agreement obtains independent financial advice.**

### More information

For more information about deferred payment agreements visit [www.barnet.gov.uk/paying-for-care](http://www.barnet.gov.uk/paying-for-care) or contact the Financial Assessment Team.

Email: Financial.Assessments@barnet.gov.uk

Tel: 020 8359 2238

Fax: 0870 889 6828

Address: Financial Assessment Team, Adults and Communities  
London Borough of Barnet, North London Business Park  
Oakleigh Road South, London, N11 1NP.

If you need this factsheet in a different format please contact the Communications Team for Adults and Communities:

Tel: 020 8359 7150

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