



Deferred Payment Agreement Factsheet

What is a Deferred Payment Agreement?

Deferred Payment Agreements are 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. Torbay Council and Torbay and South Devon NHS Foundation Trust have developed a policy to cover the details of this scheme and the main points are covered in this factsheet (for full details visit www.torbayandsouthdevon.nhs.uk).

A Deferred Payment Agreement is a scheme that offers you a loan from Torbay Council using your home as security and managed through Torbay and South Devon NHS Foundation Trust (The Trust). It doesn't work in exactly the same way as a conventional loan as the Council doesn't give you a fixed sum of money when you join the scheme, but pays an agreed part of your weekly care and support bill 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. Torbay Council pays 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'.

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

However, 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 expected to use the rental income to increase the amount you pay each week, thus reducing the weekly payments made by the Council, and minimising the eventual deferred payment debt.

Your agreement with the Council

If you decide to use a Deferred Payment Agreement, you enter into a legal agreement with Torbay Council by signing an agreement document. The Council then places a 'legal charge' on your property to safeguard the loan. You will be charged for this expense.

The agreement document covers both the responsibilities of the Council and your responsibilities, 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 residential or nursing care, these will be allowed for in the amount that you are assessed as contributing each week from your capital and income.



Your agreement with the Council continued ...

There will be a separate financial assessment to work out how much you will be deferring and how much each week you will be expected to pay to the Council. You can choose to pay more each week to reduce the amount deferred and this will reduce the amount of interest you will be charged. You must advise the Trust if you want to pay more than the amount requested.

You can end the agreement at any time (for example if you sell your home) and the loan then becomes payable immediately. Otherwise the agreement ends on your death and the loan becomes payable 90 days later.

Advantages of Deferred Payment Agreements

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

If there is an existing agreement for a third party 'top up', where a family member or other person puts additional money towards your placement, and you decide to take advantage of a Deferred payment Agreement; you can add the cost of the 'top up' payments to your loan, if the Council agrees that there is enough equity in your home.

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

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, you will not be liable for any interest or administrative charges and 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 or savings and 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.

The following organisations offer support and advice:

SOLLA	www.societyoflaterlifeadvisers.co.uk	0845 303 2909
Money Advice Service	www.moneyadviceservice.org.uk	0300 500 5000
Age UK	www.ageuk.org.uk	0800 169 6565

To apply for a Deferred Payment Agreement you must:

- be professionally assessed as requiring and entering permanent residential or nursing care in a registered care home
- have capital (excluding the value of a property) of less than £23,250
- 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 agree to a Deferred Payment Agreement or have a legally appointed agent willing to agree this.



To apply for a Deferred Payment Agreement continued...

For the duration of the agreement, you, the client, will need to:

- ensure your property is adequately maintained to ensure the value of the property is not reduced through neglect
- insure your property at your expense
- pay any client contribution in a timely and regular manner; if you fail to pay the client contribution on a regular basis the Council reserves the right to add this debt to the loan amount
- notify the Trust of any changes in income, including the receipt of any rental income of the property not previously taken into account
- notify the Trust of changes in your care needs which results in a change in the monthly fee
- notify the Trust of any changes to the legal position of the property being offered as security, such as the property now becoming disregarded for the financial assessment purposes
- ensure there are no other beneficial interests on the property, for example outstanding mortgages or equity release schemes, unless approved by the Council. If this is the case you will be required to obtain any necessary consent.

Please note

Acceptance of any application under the scheme is subject to you meeting the criteria for entering a Deferred Payment Agreement, and Torbay Council being able to obtain security in your property. Therefore, in the event that the Council is unable to provide a Deferred Payment Agreement you may be required to enter into a private contract directly with the care home.

Fees and Charges

The Council is entitled to charge an administrative fee for setting up a Deferred Payment Agreement (DPA) along with an annual charge for administering the DPA. This fee only is to cover the costs the Council incurs in setting up and operating a DPA. If your property is not in Torbay and the valuation fee charged is more than £500.00 the increase will also need to be paid by you.

The Council, through the Trust as its agent, will charge interest on the amount owed to them while they are helping to pay care home bills on your behalf. The maximum interest rate it can charge is currently 1.85 per cent. This will be reviewed by Government at least every six months.

These charges can either be paid as they are incurred or can be deferred as part of the DPA. If you are considering taking out a DPA, you should also consider taking independent advice to help you decide which course of action will be best for you. An independent advisor may charge for this service.

The fees and charges at 1st November 2018 are shown below:

Initial set- up and closure costs	£1300
Annual charges	£100
Interest rate	1.85 per cent daily compound interest

For more information telephone **01803 219700** or visit our website

www.torbayandsouthdevon.nhs.uk



Deferred Payment Agreement Example

John is 78 years old, lives alone and owns his own home. His care needs have been assessed as needing to be met through a residential care home placement. Other than the value of his home he has assets of £15,000, a state pension and other income of £320 a week. He has decided that a Deferred Payment Agreement (DPA) could help to pay for his care home costs of £400 per week without the need to sell his property (for the first 12 weeks of the stay John's property is not included in the financial assessment).

First, John will meet with the Trust's Financial Assessment and Benefits (FAB) team to help him to provide the information required to find out whether he is eligible for a DPA. The Council will carry out a valuation on his property, which is included in the overall costs quoted. In this instance the property is valued at £165,000.

John is happy with this valuation. The FAB team provides likely costs of a DPA over time based on a number of examples (see table 1) as well as signposting him to potential sources of independent advice.

Table 1

John's DPA costs without rental income assumed

Eligibility:

Need for residential/nursing care?	Yes
Capital assets less than £23,250?	Yes
Home to be disregarded?	No

Therefore eligibility criteria for DPA met.

Personal contribution/DPA allowance of care costs:

	£	£
Weekly Care costs	320	400
Personal contribution:		
Weekly pension and other income		
Income from assets (15,000-14250)/250	3	
Weekly retention (disposable income allowance)	<u>-144</u>	179
Personal contribution to care costs		
Agreed DPA per week		221
<u>Equity Limit:</u>		165,000
Agreed value of property		
Less – 10% capital allowance	16,500	
Less – Lower Capital Limit	14,250	<u>- 30,750</u>
Total Capital allowance		
Equity Limit		134,250

Estimated costs of DPA with interest (2.65%)

After 1 year	£12,592 – Within Equity Limit
After 3 years	£35,576 – Within Equity Limit
After 5 years	£58,560 – Within Equity Limit



DPA example continued...

John sought independent advice and is still happy to proceed but following this advice he wishes to rent out his property. He is advised that his property could be let for £550 every four weeks and has made provisional arrangement with a letting agency.

The FAB team provides another estimate based on letting his property (see table 2). This arrangement reduces the potential cost of the DPA and leaves John with some additional income that he can use to maintain his property.

Table 2

John's DPA after rental income assumed

Four weekly rental	£ 550
Maximum personal retention offered by Torbay Council	50%
Monthly contribution to DPA	£275 /£69 per week
Revised DPA (£221 - £69)	£152 per week

Estimated costs of DPA with interest:

After 1 year	£9,004 – Within Equity Limit
After 3 years	£24,812 – Within Equity Limit
After 5 years	£40,620 – Within Equity Limit

John enters into a DPA by signing a legal agreement giving the Council first charge on his property.

John receives a statement, at least every six months, informing him of the amount of his DPA and the percentage of the value of his property covered by the DPA, including any updates in the value of his property.

If at any point it is found that the John is approaching the equity limit as part of the process (as outlined in the earlier parts of the policy) then the Trust will conduct an informal review of the a set valuation and if it is estimated that the value of the property has risen over the period then the various calculations will be undertaken and the various limits revised.

At the end of the DPA arrangement, John or his representative will be given the final statement and the balance will be settled from the sale of the property or from other sources. Interest will accrue until the account is cleared.

How to apply for a Deferred Payment Agreement

If you wish to apply for a Deferred Payment Agreement you must contact the Trust on **01803 219700** or via the financial assessment officer who completed your financial assessment.

The Trust will then start the process by requesting a valuation of your property, you may pull out of the process at any time but you will be charged the costs that have been incurred (for example, £500.00 valuation fee). Please also be aware that Torbay Development Agency will need to access your property to conduct the valuation and we will need details of who to contact to arrange this visit.

Where it is possible to conduct a face-to-face assessment these details will be discussed with you, or your legal agent. Where it is not possible to conduct a face-to-face financial assessment, please contact the FAB Team on **01803 219700** to discuss any concerns you may have.

