

## **Frequently asked questions about deferred payments Deferred payment agreements in Suffolk**

**If you are considering applying for a deferred payment from Suffolk County Council, please contact the Deferred Payment team to discuss on:**

**0345-2660072 or at [DPA@suffolk.gov.uk](mailto:DPA@suffolk.gov.uk):**

We want you to be sure that a deferred payment is the best option for you in your circumstances. We strongly recommend that you take independent financial advice, from an independent financial adviser who specialises in long-term care costs planning. You can get information about finding independent financial advice from the Money Advice Service

<https://www.moneyadviceservice.org.uk/en/articles/choosing-a-financial-adviser>

### **What is the ‘Deferred Payments Scheme’?**

The deferred payment scheme is designed to help you if we have worked out that you must pay the full cost of your residential or nursing care because you have capital and savings under £23,250 and you own a property, but you cannot afford to pay the full weekly charge because you are awaiting for your property to sell, or you do not want to sell your home and most of your capital is tied up in your home.

We will normally only consider applications from people who have recently moved into a residential or nursing care home, or who are planning to do so. We will also consider applications from people who have been living in a care home for some time and have been funding the cost whose capital and savings have now fallen below £23,250 but who still own a property.

You do not need to have a social care assessment when you apply for a deferred payment agreement.

We will consider applications from people who want to use the deferred payment scheme as a short-term arrangement. For instance, if your property is up for sale but you have not yet got a buyer, or you are waiting for the sale to complete and there is reason why this may take more than a few weeks.

The deferred payment scheme means that Suffolk County Council lend you the money to pay for most of your care costs using your home as security. It doesn't work in the same way as a conventional loan that you might get from a bank. We do not give you a fixed sum of money when you join the scheme, but will pay an agreed part of your weekly care and support bill for if it is necessary.

You will be asked to pay a weekly contribution towards the cost of your care. We will work out how much this should be using information that you give to us. We will discuss this amount with you and you can decide to pay more than the guideline amount, or ask us to defer more.

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You will normally pay your contribution direct to the care home. We will pay the rest of the money and this is what is known as the 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. You can also choose to pay the money back to us 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 after you have died, or you may want to rent it out to generate income. If you do this, you will be expected to use some of the rental income to increase the amount you pay each week. This will mean that the amount of money that you will owe to Suffolk County Council will be reduced.

### **What if I own my property with other people?**

If you own your property with other people, all the owners would need to agree to the deferred payment agreement arrangement.

### **Will you check the ownership of my property?**

Yes, we will check the details with the Land Registry. If you have owned your property for some time and it is not registered with the Land Registry, then we will need you to do this, at your own expense, before we can agree to a deferred payment agreement. You should note that currently this may take a few months so we advise you to start this process before you apply for a deferred payment agreement.

### **Will you charge me interest?**

The deferred payment will have interest charged on it like interest being charged on a mortgage. The maximum interest rate that will be charged is fixed by the government and will be reviewed in January and July each year. The current interest rate charged by Suffolk County Council from January 2022 is 0.95%. The interest will apply from the day your deferred payment starts. You can choose to pay the interest as you go along, or for it to continue if your deferred payment agreement lasts. The interest is compounded. This means that interest is charged overall of your outstanding balance, including previous interest charges.

### **Will I incur any other charges?**

We will make a charge for the cost to us of running the deferred payment scheme. This will be £350 in advance for the first year, and £75.00 per year after that. We can add the administration charge to the amount that you are deferring, but this will mean that you will pay interest on this amount. You can choose to ask us to send you a bill for every year which will mean that you will not need to pay interest on it.

We will also ask you to pay the cost to us of valuing your property unless you supply us with three separate valuations of the **market** value of the property. We will ask

you to pay the valuation fee upfront, and you must pay this cost even if you decide not to go ahead with the deferred payment. This cost will be around £250 (there may be some slight variations depending on where you live and the value of your property).

Our Legal fees are included in the £350 start-up costs. Please note that we may still charge you for some Legal fees if you withdraw your request for a deferred payment after we have started the process of obtaining a charging order.

### **How will I know how much I owe you?**

You will receive regular statements four times a year. These will tell you how much you owe, including any administration charges and interest and how this has been worked out.

We will ask you to provide valuations of your property again once the amount that you owe us reaches 50% of the total that we think it is safe to lend you.

### **Will we have a formal agreement?**

If you decide to use the deferred payment scheme, you enter a legal agreement with the Council by signing an agreement document. We will then place what is called a 'legal charge' on your property to safeguard the loan. You will be charged for the cost of doing this.

The agreement 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.

You can end the agreement at any time (for example if you sell your home) and the loan then becomes payable immediately.

Interest will continue to be charged at the standard rate until the loan is repaid.

Otherwise the agreement ends on your death and the loan becomes payable 90 days later. Additional interest will be charged if the loan has not been repaid after the 90 days.

The Council cannot normally cancel the agreement without your consent.

### **What are the advantages of using the Deferred Payments Scheme?**

If we have an existing agreement for a third party 'top up', where a family member or other person puts additional money towards your placement because the cost of your care home is more than we would normally pay, and you decide to take advantage of the deferred payments scheme; you can add the cost of the 'top up'

payments to your deferred payments scheme loan if the Council agrees that there is enough equity in your home.

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The current rules only allow another person to pay this extra money (the top up) for you, but by using the deferred payment scheme, you can effectively fund this extra cost yourself.

### **What other options might I have?**

You should always take independent financial advice to help you decide which option for funding your care charges will be better for you. You can find out how to find an independent financial adviser by contacting the Money Advice Service on 0300 500 5000 ([www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk)).

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, be liable for interest and administrative charges and your property will be occupied. Your tenant will be paying utilities and council tax which will reduce your outgoings.

However, you may be able to rent out your property and have a deferred payment from us. In these cases, we ignore 50% of your rental income when we work out how much you should pay towards the cost of your care home.

There are also various financial products which may be suitable for your personal circumstances. An independent financial adviser would help you to look at these.

You may also choose to pay the full cost of your care yourself from your income and savings, or to have some help from family members to do so.

### **How do I apply to have a deferred payment?**

We will consider applications for a deferred payment from you if you:

- are receiving care or moving into a residential or nursing care home or you are moving into very sheltered housing and are funding your rental costs from your own resources and
- you own or have a part legal ownership of a property, which is not benefitting from a property disregard (this is where we ignore the value of your property for a special reason when we are doing our financial assessment - normally this will be because your partner still lives there) and
- the total value of your other savings and capital are under £23,250.

You must also have the mental capacity to understand and enter into the agreement, or have a legally appointed person who can do this on your behalf. This would be a person with a registered lasting power of attorney for property and affairs or with a registered enduring power of attorney. They could also be a Deputy appointed by the Court of Protection.

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When your application is approved all applicants and their legal appointed person (s) **must** complete an ID1 form as proof of identity. This is a requirement by the Land Registry and we cannot proceed with an application

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without completed forms. Please **do not** complete this form though before we ask you to do so, as you may be incurring unnecessary cost.

If these criteria apply to you and you have taken advice and have decided that you would like to go ahead and apply for a deferred payment, please fill in our application form that you can find on the Suffolk County Council website.

Your application will be considered and we will consider things like the weekly amount of your deferred payment and the value of your home. We will also check to see if there are any other legal charges already on your property.

We aim to let you know the outcome of your application within ten weeks of the date of receipt. This process should be quicker if you supply all the requested documentation when you send us your application form.

### **Where do I send the application form?**

You can post it to:

#### ***Financial Inclusion and Advice Service***

***DPA Team, FAO Beacon House Landmark Business Park White House Road  
Ipswich IP1 5PB***

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