

# Deferred Payments



## What are deferred payments and who are they for?

A deferred payment agreement is an arrangement with the Council that will enable some people to use the value of their homes to pay for their residential care costs.

If you are eligible, you can receive a deferred payment in 2 ways. Either the Council can pay your care home bills on your behalf to the home or you can receive a direct loan payment to enable you to pay the home direct.. You may still need to make a contribution towards the fees but can choose to retain up to £144 per week of your income. You can delay repaying us until after your death.

The payment for Care and Support is deferred and must therefore be repaid at a later date. In some cases this may result in the property having to be sold to repay the Council.

We will charge a small amount of interest on the amount owed to us, and there will also be a fee for setting up this arrangement. There will also be a small fee for the ongoing administration. These will be set to cover our costs and not to make a profit.

Deferred payment agreements will suit some people's circumstances better than others. If you are still living in your own home, you will not need a deferred payment agreement. A deferred payment agreement is only one way to pay for care.

## Eligibility

To qualify for a deferred payment you will need to meet all of the below criteria:

- Assessed as requiring residential or nursing care;
- You have less than £23,250 in assets (excluding the value of your home);

- Own a legal or beneficial interest in a property;
- The value of your interest in the property is included in the financial assessment;
- You have sufficient equity and can provide adequate security for the debt (usually by way of a legal mortgage or land registry charge over your property);
- Agree with the terms and conditions set out in the Deferred Payment Agreement.

On entering permanent residential care, if you do have assets below £23,250 (excluding your main home), then you may be eligible for a 12 week disregard. This means that for 12 weeks the value of your property will not be included in any contributions made to your residential care. This will allow you further time to think about other options about your care and support. The deferred payment will then usually start at the end of the 12 week disregard. Please note a deferred payment can take up to 12 weeks to set up.

## Process

The amount deferred will be a maximum of 100% of the equity limit of the property. This is worked out by:

Value of Property minus 10%, minus any other debt secured against the property, minus £14,250, = 100% of value remaining. For example, if a property is valued at £130,000, 10% will be deducted, then a further £14,250. This leaves a value of £102,750, that means the maximum amount able to be deferred is £102,750. We will review your Deferred Payment Arrangement once we have paid 70% of this sum, to ensure the arrangement sustainability

Any deferred payment arrangement will be subject to interest and administration charges. The maximum allowable interest rates will be set by government and be reviewed twice a year, and will be compounded daily. The admin charges are costs to the Council in providing these arrangements.

## Children, Families and Adults • Factsheet

If you would like this information in another format or language please contact:

**Cornwall Council, County Hall, Treyew Road, Truro TR1 3AY**

Tel: **0300 1234 131**

Email: **adultcare@cornwall.gov.uk**    **www.cornwall.gov.uk**

These admin charges will be based on the value of your property. You can either pay the interest and admin charges upfront or add them to the deferred payment, however, you should remember that interest applies to the whole loan, therefore any amount you add to the loan will accrue further interest. Should you instruct the Council to arrange a Deferred Payment but later change your mind, you will still be liable for any costs incurred in the preparation of such an arrangement.

Cornwall Council need to secure the deferred payment agreement, which would usually be by means of a legal charge on the property. Once you have signed the deferred payment agreement, the council will then apply the charge to the property.

Having a deferred payment may have implications on your income and other benefit entitlements. The person dealing with your deferred payments will be able to advise on this dependant on your individual circumstances.

Before taking the offer of a deferred payment, you should consider taking independent legal and financial advice. There are some contacts on the back of this leaflet if you wish to take further advice on this.

## Conditions

As part of the agreement you or the person who deals with your finances will need to make sure that the property is maintained and insured.

If there are any changes to your circumstances, then you or the person who deals with your finances needs to tell the council in case this effects the agreement.

You will remain liable for the full cost of your care fees until the deferred payment arrangement is signed, which can take approximately 12 weeks.

## Terminations

The deferred payment arrangement can stop due to:

- Qualifying for financial support from the council towards your care fees
- Reaching the equity limit
- The property has been sold
- The person who the deferred payment relates to dies
- You voluntarily choose to repay the Council at any time

If the property has been sold, the person dies or chooses to repay the Arrangement the amount paid out by the council plus any interest and admin charges will need to be paid back (if not already paid).

If this is not paid back to the council, interest will keep being added. In some circumstances the council will

need to recover any outstanding money through the Debt Recovery Procedures.

The Council may also stop making further payments if you no longer meet any of the other eligibility criteria, but this does not result in the termination of the Agreement.

You may also choose to repay part of the loan at any time; this may incur a small admin fee. Partial repayments do not result in stopping the deferred payment agreement but people may choose to do this occasionally to reduce the amount of outstanding debt.

## Other options

The advantages of a deferred payment means that you may not need to sell your home in your lifetime, or potentially use all of the value of your home to pay for your residential care fees.

However, you do still need to pay the council back for any fees that the council has paid under the deferred payment agreement, and ensure that the property is insured and maintained in its current state.

There are other options that could be considered other than deferred payments, such as renting.

As mentioned earlier, seeking independent financial advice may help in looking at what other options are available to you in paying for care in a residential care home.

## Useful contacts

**Money Advice Service** can give free and impartial money advice:

[www.moneyadvice.org.uk](http://www.moneyadvice.org.uk)  
**0800 138 7777**

**Cornwall Citizens Advice Bureau** provides free, independent, confidential and impartial advice to everyone:  
[www.citizensadvicecornwall.org.uk](http://www.citizensadvicecornwall.org.uk)  
**03444 111444**

**Pension Advisory Service** can give free and impartial advice to people with workplace and personal pensions:  
[www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)  
**0300 123 1047**

**Empty Properties** can offer advice and assistance for owners of empty properties:  
[www.cornwall.gov.uk/housing/private-sector-housing/empty-properties](http://www.cornwall.gov.uk/housing/private-sector-housing/empty-properties)  
**01726 223600**

**Financial Conduct Authority Register** which people can check to find authorised financial advice services in their area.  
<https://register.fca.org.uk>

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