Deferred payment agreements in Suffolk

Please note – we strongly recommend that you take independent financial advice if you are considering using the deferred payment scheme from Suffolk County Council. This is so that you are able to make sure that it is the best option for you in your circumstances.

What is the 'Deferred Payments Scheme'?

The deferred payment scheme is designed to help you if we have worked out that you have to pay the full cost of your residential or nursing care because you have capital and savings over £23,250, but you cannot afford to pay the full weekly charge 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 funding the cost of their own care home placement whose capital and savings have fallen below £23,250 subject to certain conditions being met.

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.

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 exactly 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 as long as is necessary.

You will be asked to pay a weekly contribution towards your care. We will work out how much this is using the information that you give us on our financial assessment form called an AF1.

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 a '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 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 of 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.

Will you charge me interest?

The deferred payment will have interest charged on it similar to 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 is 2.25%. This interest will be compounded on a four weekly basis.

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 as long as your deferred payment agreement lasts.

Will I incur any other charges?

We will make an charge for the cost to us of running the deferred payment scheme. This will be £78 per year payable at the start of each year that you are a member of the scheme. 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 this 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 have to 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).

You will also have to pay our legal costs for obtaining a charging order on your property. We will normally ask you pay these as a single payment. This cost will be £280.

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.

Will we have a formal agreement?

If you decide to use the deferred payment scheme, you enter into 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.

Otherwise the agreement ends on your death and the loan becomes payable 90 days later.

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.

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 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).

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 also have a deferred payment from us. In these cases we ignore 50% of your rental income when we work out how much you have to 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:

- have been professionally assessed as needing care in 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)
- the total value of your other savings and capital are under £23,250.

  You must also have the mental capacity to understand and enter in to the agreement, or have a legally appointed person who is able to do this on your behalf. This would be a person with 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.

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. You can phone us on 01502 674525/674530 or email us to ask for a form or you can download one here (link to application form).

Your application will be considered and we will take into account 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 your know the outcome of your application within ten weeks of the date of receipt. This process should be quicker if you supply three valuations of the market value of your property when you send us your application form.

Where do I send the application form?

You can post it to: Financial Assessment Team
Suffolk County Council
Riverside, 4 Canning Road, Lowestoft, Suffolk, NR33 0TQ

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