

What is the 'Deferred Payment Scheme'?

Information Sheet 4

Introduction

The Deferred Payments Scheme 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.

Effectively, the scheme offers you a loan from Lancashire County Council using your home as security. It doesn't work in exactly the same way as a conventional loan – 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. The 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. During the course of the DPA the council can allow you to retain a proportion of the rental income on the property rental up to a maximum of 10%.

There are two types of deferred payments offered by the Council:

- Traditional type – where the Council holds the contract with the care home and pays them direct
- Loan type – where you hold the contract with the care home and the Council loans you the money direct to pay the care home (this could result in you paying higher costs as the care home is not subject to any restrictions when entering into a contract with an individual rather than the Council)

Unless you specifically request a loan type agreement, you will be offered a traditional type agreement.



Your agreement with Lancashire County Council

If you decide to use the Deferred Payments Scheme, you enter into a legal agreement with the council by signing an agreement document. You will also be required to provide additional documentation to support your application for the Deferred Payment Scheme. You will be informed of the documentation required during the application process.

The council then places what is called a 'legal charge' on your property to safeguard the loan. You will be charged for this and other expenses – see below.

You cannot use more than 90% of the value of your home to pay for fees. This is to leave you or the executor of your estate with enough money to cover the sale costs and to ensure the council gets their money back if house prices fall. You must notify the council of any change in circumstances which may affect the value of the property or the sustainability of the deferred payment.

If during the lifetime of your Deferred Payment Agreement, you reach your equity limit, the council will review your costs and may decide you are eligible for means-tested support. If the council decides this based on your equity limit, on the sale of your property, a recalculation will be completed based on the final selling price and associated costs to ensure you have repaid the correct amount and have received means-tested support from the correct date.

The agreement covers both the responsibilities of the council and your responsibilities, which include making sure your home is insured and maintained and all outgoing expenses associated with the property (e.g., council tax, service charges, ground rent, insurance) are paid.

The council will require a weekly contribution to be paid towards care costs from your income and savings. If you incur expenses in maintaining your home while you are in residential or nursing care, these may be allowed for in the amount you are assessed as contributing each week from your savings and income. You have the option to retain a maximum Personal Expense Allowance of £144.00 per week to assist you in covering these expenses. You must notify the council of any change in circumstances which may affect the amount you can afford to contribute.

You can end the agreement at any time, for example if you sell your home, and the loan then becomes payable immediately. If you choose to sell your home in your lifetime and repay the deferred payment debt, and your savings are above the upper capital threshold, arrangements will be made for you to contract directly with the care home.

Otherwise, the agreement ends on your death and the loan becomes payable 90 days later. Interest will continue to accrue until the debt is paid in full.

The Council cannot cancel the agreement without your consent.



Advantages of using the Deferred Payments Scheme

If there is an existing agreement for a third party 'top up', whereby a family member or other person contributes towards your placement, and you decide to take advantage of the Deferred Payments Scheme; you can request to add the cost of the 'top up' payments to your Deferred Payments Scheme loan. This is subject to the council agreeing there is enough equity in your home. Should this be agreed, and the equity limit in your home is eventually exhausted, the council will no longer be able to defer the 'top up' and this will revert back to being payable by the third party 'top up' payee.

The government's rules say that 'top ups' for people not using the deferred payments scheme 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.

Costs associated with the Deferred Payments Scheme:

The council applies an administrative fee for arranging the Deferred Payment Agreement which includes legal fees; the cost for placing a charge on the property with the Land Registry; property valuation and staffing costs. The amount will be notified to you and included within the agreement.

If you apply for the Deferred Payment Scheme, then subsequently decide not to continue with the application, you may still be charged a proportion of the administration fee. Please refer to the Charging Schedule in respect of the Deferred Payment Scheme.

The fees can be paid when due or the full value can be deferred, in which case it will be subject to interest charges. If you decide to pay the administrative fee when due and do not pay this in full within 56 days of issue, the invoice will be revoked and the administrative fee will be automatically deferred.

Charging Interest

The deferred payment or loan will have interest charged against it the same way a normal loan would be charged on money borrowed from a bank.

The maximum interest rate to be charged is fixed by the government and will change on 1st January and 1st July each year.

Interest will be added to the deferred amount on a daily compounded basis from the day your Deferred Payment Agreement is effective from. For details of the current rate of interest, please contact the Deferred Payments Team.

You will receive statements on a six-monthly basis advising the amount currently deferred against the property, including interest and administrative fees and details the remaining equity in the property.



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, 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.

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.

Applying for the Deferred Payments Scheme

In order to apply for the Deferred Payment Scheme you must:

- have capital and assets (excluding your main property) of less than £23,250.
- be professionally assessed 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 your property is not registered with the Land Registry, the council may still consider offering a Deferred Payment Agreement).
- have mental capacity to agree to a deferred payment agreement or have a legally appointed agent willing to agree this.

Whilst in the agreement, you will also need to:

- have a responsible person willing and able to ensure 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 and provide evidence of the policy.
- 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.

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

Acceptance of any application under the scheme is subject to you meeting the criteria for entering the scheme and the council being able to obtain adequate security against your property.



Independent Financial Advice

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	0333 2020 454
Money Helper	www.moneyhelper.org.uk	0800 011 3797
Money & Pensions Service	The Money and Pensions Service	0115 9659570
Age UK	www.ageuk.org.uk	0800 678 1602

For further information about independent financial advice, ask for our information sheet 'Funding your care and support needs – Independent Financial Advice'.

Please note: Lancashire County Council has supplied details of available Independent Financial Advice for your information only. The information is not exhaustive and other financial advisers are available. Lancashire County Council is not responsible for the products, policies or services offered or approved by any external organisation or provider.

The Council will not be responsible for damages or losses, however, caused, or suffered by any person who relies on information and advice provided by any external organisation or provider.

Further information

If you wish to apply for the scheme, please contact our Customer Contact Centre:

Telephone Number: 0300 123 6720

Additional information and guidance regarding charging for Adult Social Care is also available in a series of Information Sheets as follows:

- Information Sheet 1 – Adult Social Care Fees – 2025/26
- Information Sheet 2 – Financial Implications for Non-Residential Care Services
- Information Sheet 3 – Financial Implications of moving into a Residential or Nursing Home
- Information Sheet 4 – What is the Deferred Payments Scheme?
- Information Sheet 5 – Deprivation of Capital and Assets, policy and appeals process
- Information Sheet 6 – Independent Financial Advice

