



## The 'Deferred Payment Scheme' explained

The Deferred Payment Scheme is designed to help you if you have been assessed to pay the full cost of your residential/nursing care because you are a homeowner, and cannot afford to pay the full cost because most of your capital is tied up in your home.

The Scheme permits homeowners who do not wish to sell their home during their lifetime to pay for their residential/nursing care.

The scheme essentially offers a loan from Merton Council, using your home as security. It doesn't work in the same way a conventional loan would; as the local authority doesn't give you a fixed sum of money when you join the scheme, but pays an agreed part of your residential/nursing care bill for as long as necessary.

You will undergo a financial assessment, based on your income and other savings. This will calculate how much you can contribute towards the residential/nursing placement. The council will pay the difference between the cost of your placement and your assessed contribution. This shortfall is known as the deferred amount.

*For example:*

*Cost of Placement: £650 per week*

*Your Assessed Contribution: £150 per week*

*Deferred Amount repayable to Merton Council: £500 per week*

*Merton Council will pay the deferred amount directly to the residential/nursing home until the agreement ends.*

The deferred amount builds up as a debt and is repayable to the council once the value of your home is released.

If you chose to enter into the agreement and are considering renting your property to generate income; you will be expected to use the rental income to increase the amount you pay towards your care each week. This will reduce the weekly deferred payments made by the Council, thus minimising the eventual debt.

## **Charging Interest**

The maximum interest rate charged is the gilt yield rate + 0.15%. The rate is set nationally and is determined by the OBR Economic and Fiscal Outlook Report. The rate changes every six months; on 1 January and 1 June in line with national legislation. The interest will be compounded on an annual basis, currently at 1.45%.



The interest will apply from the day you enter into the Deferred Payment Scheme.

You will receive regular statements advising you how your charge is being calculated and what the outstanding sum on your deferred payment account is.

## **Your agreement with Merton Council**

If you decide to join the Deferred Payment Scheme, you will enter into a legal agreement with the Council by signing a deferred payment contract agreement. The Council will then place a 'legal charge' on your property to secure the loan.

The agreement details 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 maintaining your home whilst you are in residential or nursing care, these will be accounted for within your financial assessment.

You can terminate the Deferred Payment Scheme at any time - voluntarily, upon the sale of the property or if the person receiving care passes away. You can also pay the debt back from another source if possible. The loan becomes payable 90 days after death.

The Council cannot cancel the agreement without your consent.

## **Advantages of using the Deferred Payment Scheme**

You should seek 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 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 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.

## **Costs associated with the Deferred Payment Scheme:**

The initial set-up fee of £805 that can be paid upfront or deferred. This fee has been designed to recoup charges for handling the legal requirements and all associated administration duties such as staff costs, and land registry checks.

The on-going annual administrative fee of £50.

There is a termination fee of £100, plus HM Land Registry fees for removing the legal charge from the property at the end of the agreement.

## **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 or be liable for interest and administrative charges
- Your property will be occupied, therefore, 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 should seek independent financial and legal advice to help you decide which course of action will be financially better for you.**

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

- have capital of less than £23,250 (excluding the property)
- have eligible care needs to enter permanent residential or nursing care in a registered care home; determined by the local authority.
- own your home and have a legal and beneficial interest in that home, which is not disregarded in your financial assessment (other than during a 12-week property disregard period)
- must have the mental capacity to enter into a deferred payment agreement or have someone acting in a legal capacity to do so on their behalf (e.g. Deputy or Power of Attorney for property and finance)



- There can be no other beneficial interests on the property, for example outstanding mortgages or equity release schemes, unless this is approved by the Local Authority.
- The Deferred Payment agreement must be agreed by Merton social services.

## **Whilst under the Deferred Payment Agreement, you will also need to:**

- have a responsible person willing and able to ensure that 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;
- 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 deferred amount which will incur interest.

### **PLEASE NOTE**

Acceptance of any application under the scheme is subject to you meeting the criteria for entering the scheme, and the local authority being able to obtain security in your property.

### **If you would like to make an application, please make a request to the below:**

Financial Assessments  
Civic Centre  
Morden  
SM4 5DX

020 8545 4047  
Financial.assessment@merton.gov.uk

### **Where you can get independent advice:**

#### **The Society of Later Life Advisers (SOLLA)**

SOLLA is a register of accredited advisers qualified in financial advice, including long term care funding. You can search their directory for an adviser. Visit the website at [www.societyoflaterlifeadvisers.co.uk/find-an-adviser](http://www.societyoflaterlifeadvisers.co.uk/find-an-adviser) or call on 0845 303 2909.



### **Paying for care**

Paying for Care is a website designed to help individuals make more informed decisions about the arrangements and funding for their long-term care. The site is equally useful for Powers of Attorney and family members and friends and also includes a care cap calculator. [www.payingforcare.org.uk](http://www.payingforcare.org.uk)

### **The Money Advice Service**

Money advice service is an independent service set up by the government. It provides a free and impartial advice service and provides information on its website, by phone or through live chat. Call 0300 500 5000 or visit [www.moneyadviceservice.org.uk/en/categories/self-funding-long-term-care](http://www.moneyadviceservice.org.uk/en/categories/self-funding-long-term-care).

### **My Local Adviser**

My local adviser allows you to find advisers in your local area. Go to <http://www.mylocaladviser.co.uk/mla>

### **Morden Citizens Advice Bureau**

The C.A.B provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities. Contact Morden citizens advice on 0344 243 8430 or at [www.mlcab.org.uk](http://www.mlcab.org.uk)