

Adult Social Care Deferred Payment Agreements

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Background

Sometimes the value of a person's home is not taken into account, for example when a partner continues to live there or if the stay in the care home is temporary. We will advise you of the situations where property is not included.

Where the value of your home is taken into account, and you do not have sufficient income or other assets/savings to meet the full cost of the care home fees, you may have to sell your home in order to pay the fees. Some people may not want or be able to sell their home so soon after going into care or in their lifetime.

What is a Deferred Payment Agreement?

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 the Council using your home as security. It doesn't work in exactly the same way as a conventional loan – the Local Authority 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 while you 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 Council can defer up to 90% of the value of your home (equity), the remaining 10% is to allow for variance in valuation and interest charges. The council must refuse to defer care costs beyond 90%. However, interest can still accrue beyond this point, and administrative charges can still be deferred.

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, a statement will be sent to you every four weeks and will show the amount that you need to pay from your income and the amount being deferred each period against your property.

How does the Deferred Payment Agreement Work

The loan will have interest charged on it in the same way a normal loan would be charged on money borrowed from a bank. The local authority charges 4.65% (effective from 1 July 2025).

The interest will apply from the day you enter into the Deferred Payment Scheme, it will be applied daily on a compound basis, you will be advised on how your charge is being calculated and what the outstanding sum on your deferred payment account is on your regular statements.

If you decide to use the Deferred Payments Scheme and the Council agrees to your request you will enter into a legal agreement with the Council by signing an agreement document. The Council then places what is called a 'legal charge' on your property to safeguard the loan. You will be charged for this expense.

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.

Please ask us if you require a sample copy of the Agreement and associated documents should you wish to discuss its implications with your solicitor. You are advised to seek independent financial and/or legal advice before arrangements are finalised.

In order to request a Deferred Payment Agreement, please ask your solicitor to provide you with the following documents relating to your property: either the epitome of title (if your property is not registered with the Land Registry) or official copy entries and title plan (if your property is registered). We will also need the name and address of your solicitor.

If you do not instruct a solicitor you will also have to provide us with a completed Land Registry form ID1. The form will have to be countersigned by a solicitor or approved person. A solicitor may charge you for this service.

The Council's Legal Services Unit will then prepare the Deferred Payment Agreement and a separate legal charge document. The documents will be sent to you or your solicitor for signature by you. The legal charge on the property will be registered at the Land Registry. You will receive communication when this has been done.

If you own the property jointly, the joint owner(s) will also be asked to sign the legal charge document. The Council insists that the joint owner(s) receive independent legal advice. The Council will require a certificate from the solicitor providing that advice that independent legal advice has been given by him/her to the joint owner(s).

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Whilst in the 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 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 Local Authority.

You can end the agreement at any time (for example if you sell your home) and the loan then becomes payable immediately in full. Otherwise the agreement ends on your death and the loan becomes payable 90 days later.

The Council cannot cancel the agreement without your consent, however we may refuse to defer further charges, for example, if there is a breach of agreement.

Cost associated with the Deferred Payments Scheme

The table below details the maximum costs that you may be charged by the Council associated with a deferred payment agreement for 2025/26. You will be given the option of paying these fees as you incur them or they can be added to the loan to be paid at a later date.

Cost	Charge
Setting up a DPA	£250
Annual review	£50
Termination of DPA	£50
Current interest charge (reviewed 6 monthly)	4.65%

Historic interest charge	Charge
1 January 2019	1.65%
1 July 2019	1.45%
1 January 2020	1.45%
1 July 2020	1.05%
1 January 2021	0.45%
1 July 2021	0.75%
1 January 2022	0.95%
1 July 2022	1.55%
1 January 2023	3.18%
1 July 2023	3.43%
1 January 2024	4.65%
1 July 2024	4.05%

Historic interest charge	Charge
1 January 2025	4.25%

You may incur some costs in obtaining independent advice or in obtaining the documents necessary to set up the Deferred Payment Agreement.

Considering your 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.

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.

You should take independent financial and legal advice to help you decide which course of action will be financially better for you.

Further Information

The Community Finance Officer who is carrying out the financial assessment will be able to explain the Scheme in more detail and answer any initial questions that you may have.

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 your request is turned down, you will be told the reason and advised how to complain if you remain unhappy with the decision.

How to contact Community Finance

If you live in the Eden area

Call: 01768 812244

Email: eden.cfo@westmorlandandfurness.gov.uk

If you live in the Barrow and Ulverston area

Call: 01229 407486

Email: fcfo.Mailbox@westmorlandandfurness.gov.uk

If you live in the South Lakes area

Call: 01539 713287

Email: southlakes.cfo@westmorlandandfurness.gov.uk

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If you have an emergency

If you have an emergency during office hours, contact your practitioner or your local Adult Social Care office. We are open 9.00am to 5.00pm Monday to Thursday and 9.00am to 4.30pm on Friday.

If you have an emergency when our offices are closed, ring the Emergency Duty Team in your area:

Westmorland and Furness: 01539 768700

Cumberland: 01228 273800

If you require this document in another format

If you require this document in another format (e.g. CD, Braille or large type) or in another language, please telephone 01228 227113