

Deferred Payment Agreement

Adult and Older People's Services

This booklet explains what Deferred Payment Agreements are and how they can help you.

This applies to individuals who have moved into residential or nursing care on or after the 1st August 2015.

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What is a deferred payment agreement?

A Deferred Payment Agreement (DPA) is an arrangement with the Council that will allow you to use the value of your home to help pay care home costs. If you are eligible we will help to pay your care home bills on your behalf. You can delay in repaying us until you choose to sell your home, or until after your death.

This means you should not have to sell your home in your lifetime to pay for your care.

How does it work?

The arrangement offers you a loan from the Royal Borough of Greenwich using your home as security. It doesn't work the same way as a conventional loan in that we do not give you a fixed sum of money. Instead we will pay an agreed part of your weekly care and support bill for as long as is necessary.

You will pay a contribution towards the cost of your care that you have been assessed as being able to pay from your other income and savings. We will pay the part of the costs that you cannot afford until the value of your home is reached. The part we pay is your Deferred Payment Agreement.

The deferred payment builds up as a debt that is cleared when the money tied up in your home is released. For many people this will be achieved by selling their home – either immediately or later on.

Remember, you do not have to sell your home if you don't want to. You may decide to keep your home and repay the debt out of your estate or from another source. Alternatively you may choose to rent out your home and use the income generated to increase the amount you contribute towards the cost of your care. This would reduce the amount paid out by the council and would reduce the debt.

Charging Interest

The loan from your DPA will have interest charged on it, the same way or normal loan would be when borrowing money from a bank. The maximum interest rate to be charged is linked to Government borrowing and will change on the 1st January and 1st July every year.

Advantages of a Deferred Payment Agreement

A Deferred Payment Agreement means you can use the value of your home to help pay for your care costs. This means you should not have to sell your home in your lifetime to pay for your care. You may also take advantage of your scheme if you want to sell your property and it will take some time until it is sold. The Council will loan you the money to pay the costs that would have been met from the sale during this period.

Choosing a Deferred Payment Agreement also means you can claim Attendance Allowance or, if you are under 65, the care component of Disability Living Allowance (DLA) or Personal Independence Payment (PIP) whilst you are in a care home.

You may rent out your house and use part of the income to increase the amount you pay towards your care and support. This will reduce your debt.

You may already have an agreement for a third party “top up” payment, where a family member or someone else contributes additional money towards the cost of your care. With a Deferred Payment Agreement you can add the cost of this top up payment to this, provided there is enough equity in your home.

The Government’s rules say that top up payments for people not using a Deferred Payment Agreement have to be paid by someone else. So a Deferred Payment Agreement is currently the only way of paying the top up yourself, without relying on someone else.

There is nothing to stop someone else paying your third party top up while you also have a Deferred Payment Agreement.

How can I apply for a Deferred Payment Agreement?

You are strongly advised to seek independent financial advice to help you decide if a Deferred Payment Agreement will be financially better for you.

Our staffs are forbidden to give financial advice of this nature.

In order to apply for a Deferred Payment Agreement you must:

- a) Be assessed by the Royal borough of Greenwich as being eligible for, and moving into, permanent residential / nursing care in a registered care home.
- b) Have capital (savings) less than or equal to £23,250 (excluding the value of your home).
- c) Own or have part legal ownership of a property that is not being disregarded (for example it is not occupied by a spouse or dependent relative) – please see our guide “Charging Information for people living in residential and nursing care” for more information
- d) There is no outstanding mortgage, or the outstanding mortgage will leave sufficient money to meet the criteria to fund the cost of care

Your agreement with the Royal Borough of Greenwich

If you wish to take advantage of a Deferred Payment Agreement you will need to enter a legal agreement and agree to the Council placing a legal charge on the property (this is like a mortgage) giving the Council right to reclaim the amount deferred against the eventual sale. The council will loan you the money to pay the costs that would have been met from the sale of your property.

There are some things that you may want to think about before considering the scheme, such as:

- Should you fail to pay the assessed weekly contribution, Greenwich Council will apply a legal charge – this will accrue interest immediately following the property owner's death. It is therefore very important that you pay your assessed contribution out of your pension / benefits.
- A legal charge will be secured against your property giving the council the right to reclaim the money against the eventual sale.
- You will need to maintain the empty property : pay for insurance on the building and contents; pay heating bills to save the property from damp and frost
- If you rent the property the income will have to be used to contribute towards the home care costs but will reduce the amount of the loan
- By not selling your property you will probably not qualify for as much Income Support/Pension Credit which will increase the amount of the loan
- When a legal charge is placed you will not be able to sell the property or transfer ownership until the amount loaned has been repaid.

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

Costs associated with a DPA

There are legal costs associated with a Deferred Payment Agreement. This includes a Land registry charge, land search charge and property valuation costs. There may also be maintenance costs to ensure the upkeep of your home. The Royal Borough of Greenwich will also apply an administration charge.

We will write to you separately about these costs should you choose to enter a Deferred Payment Agreement.

Royal Borough of Greenwich – Deferred Payment Agreement charges (From 1st Jan 2017)

Set up fee	£800
Annual charge	£122
Interest rate 01/01/2018 – 30/06/2018 (The National maximum interest will and 1st July)	1.45% (daily compound interest) change every six months on 1 st Jan
Disposable Income Allowance	£144

Contact Adults and Older People's Services

To make a referral, or if you have any further questions or require more information, please do not hesitate to get in touch with our Contact Assessment Team.

Contact Assessment Team (CAT)

Contact Assessment Team
Adults and Older People's Services
Upper Ground Floor
The Woolwich Centre,
35 Wellington Street,
Woolwich,
SE18 6HQ

Telephone: 020 8921 2304

Fax: 020 8921 3392

SMS: 07983 553 380

Email: aops.contact.officers@royalgreenwich.gov.uk

Web: www.royalgreenwich.gov.uk

Financial Assessment and Monitoring Team

Residential/Non Residential Assessments Team
Adults and Older People's Services
2nd Floor
The Woolwich Centre,
35 Wellington Street,
Woolwich,
SE18 6HQ

Telephone: 020 8921 3759

Email: financial-assessments@royalgreenwich.gov.uk