

DEFERRED PAYMENT OF CARE HOME FEES FOR PEOPLE WHO OWN THEIR OWN HOMES

Information on deferred payments.

What is a deferred payment?

Essentially a deferred payment agreement is a loan provided by The Highland Council against the future sale of your house.

The aim of the deferred payment scheme is to provide greater reassurance and peace of mind for people who are worried that they may have to sell their home to pay for their care home fees.

What is the deferred payment scheme?

Under the deferred payment scheme you enter into a legal agreement with The Highland Council. This agreement defines what portion of your care costs are to be deferred and gives the Council a standard security over your home to cover the deferred amount.

As a homeowner, how will this affect me?

Instead of having to sell your home now to meet your care home costs, you will be able to enter into a deferred payment agreement with The Highland Council. Under this agreement the Council will pay part of your care home costs. The balance will be settled from (a) your estate when you die, (b) when you sell your house, or (c) when you make full repayment. A deferred payment does not mean you will keep more of your income or capital than would normally be the case.

How do I qualify for a deferred payment?

To qualify to be considered for a deferred payment you must:

- have been assessed as needing a care home place;
- own your own home in circumstances where its value would be included in a financial assessment. (The value of the house would normally be disregarded where dependants are still in the house);
- have capital at or below the lower capital limit (£12,500 April 2006) excluding the value of your home;
- be able to grant the Council a valid standard security against your home in respect of the estimated amount which will be owed to the Council.
- have taken legal advice from a qualified solicitor about the implications of entering into a deferred payment agreement with the Council.

If I meet the above criteria will I automatically qualify for deferred payment?

The Council has discretion to take into account the current financial constraints when prioritising those wishing to take up the deferred payment scheme.

When does the agreement end?

You can end the deferred payment agreement at any time by giving the Council written notice that you have decided to make a full repayment. The agreement will also be reviewed when the amount of the deferred payment loan results in the value of your assets falling to the upper capital limit (current £20,000 April 2006).

Will I be charged interest on the amount owed to the Council?

Deferred payments will be interest-free until either you end the agreement or until 56 days after your death. Interest will be then charged from that date at the standard rate until the date of settlement in full from your estate.

How much will I have to repay the Council?

You will need to repay the actual costs of your care up to the time of your death less any payments you have made out of your income. The Council will send out quarterly statements to you so you will be kept informed about how much you have to repay.

What are the costs involved to me?

- You will require to instruct your own lawyer to attend to the Conveyancing involved in setting up the Deferred Payment Agreement.
- You will require to present full proof of ownership together with such matters as the exact amounts outstanding on the property secured by Standard Securities already on the property.
- You will require to provide an up to date professional valuation of the property together with a Surveyors report with regard to the condition of the property.
- You will require to show that you have adequate financial provision for insuring, securing, maintaining and repairing the property.
- You will require to make arrangements for supervision of the property, or factoring the property.
- You will require to pay all your own legal expenses together with all the Council's legal fees and expenses in recording the Standard Security.
- You should ensure you have made a valid Will naming an executor to ensure that on your death any sums left after the sale of the property can be properly distributed to beneficiaries named in the Will.

Can I rent out my house?

If you have written permission from the Council you may let out your home. However, in order to avoid the situation where your home could not be sold to reimburse the deferred payment, any lets must be on a short-term basis, for example, a "short assured tenancy" agreement. Any net income you receive from renting out your home (if subject to a deferred payment agreement) will be taken into account in the financial assessment. You will require to provide copies of any tenancy agreement to the Council.

What if I currently have an outstanding mortgage?

A deferred payment may be agreed if you have an outstanding mortgage on your home, but only if you can continue to make the mortgage payments and the assessed contribution towards your accommodation costs and the Council assess there is enough value in your house to cover the sums due to the Council.

What about other expenses associated with my home?

In order to protect the value of the standard security, the Council will insist that your home is insured and maintained during the period of the deferred payment agreement. The payment and any other expenditure associated with your home continues to be your responsibility.

What if I choose to move into a care home with charges more than the Council will pay?

If you choose a more expensive care home place than the Council would usually expect to pay, the Council are not required but have discretion to pay the difference as part of the deferred payment agreement. You may need to be able to meet this higher level of payment yourself.

Further information

If you would like any further information in respect of deferred payment agreement, you can contact your local Social Work Services Office.

Before you make any application to the Council for a deferred payment, you must seek legal advice.