



Deferred Payment Agreement

Charging

What is a Deferred Payment Agreement?

A Deferred Payment Agreement is an arrangement with the council that will enable 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. It 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.

The arrangement offers you a loan from Bristol City Council using your home as security. This is the property that you own and used to be your normal place of residence. It doesn't work in the same way as a conventional loan – we do not give you a fixed sum of money when you join the scheme, but pay 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. We will pay 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 Agreement**.

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 by selling their home, either immediately or later on. You can also pay the debt back from another source if you want to.

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 asked to use the rental income to increase the amount you pay each week, which will reduce the weekly payments made by the council reduce the debt.



For more information contact Care Direct on 0117 922 2700
or visit www.bristol.gov.uk/careandsupport



Charging interest

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 maximum interest rate that will be charged is fixed by the Government. The maximum rate to be charged is linked to the cost of Government borrowing, and will change on 1st January and 1st July every year.

The rate Bristol City Council charges is shown at the end of this leaflet. The interest will be compounded on a calendar monthly basis. The interest will apply from the day you enter into the Deferred Payment Agreement. You will receive regular statements advising you how your charge is being calculated and what the outstanding sum on your account is.

Your agreement with Bristol City Council

If you decide to use a Deferred Payments Agreement, you enter into a legal agreement with us by signing an agreement document. We then place what is called a 'legal charge' on your property to safeguard the loan. You will be charged for this expense.

The agreement covers your responsibilities and those of the Council, 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 the care home, these will be allowed for in the amount that you are assessed as contributing each week from your other capital (savings) and income.

The Government has set an amount per week as the allowance to be made in the financial assessment to cover the costs of upkeep of the property. This is known as your Disposable Income Allowance – the rate is shown at the end of this leaflet. You can choose to keep less than the Government amount and therefore reduce the debt that is accruing.

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

The Council cannot cancel the agreement without your consent unless you are in breach of your side of it.

Advantages of using a Deferred Payments Agreement

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

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

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

You may already have an existing agreement for a third party 'top up', where a family member or other person puts additional money towards your placement. If you decide to take advantage of a Deferred Payment Agreement, you can add the cost of the 'top up' payments to this loan. We will agree as long as there is enough equity in your home.

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

The Government's rules say that 'top ups' for people not using a Deferred Payments Agreement currently have to be paid for by somebody else – for example, a member of their family – so a Deferred Payment Agreement is currently the only way of paying the top up yourself without depending on a third party.

Costs associated with a Deferred Payment Agreement

There are legal costs; a Land Registry charge; land search charge; property valuation costs. There is also an administration charge applied by Bristol City Council. The overall charge is shown at the end of this leaflet.

We will write to you separately about these charges if you decide to take out an 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. Also 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.

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

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

- Have capital (savings), excluding the property, of less than the upper funding threshold for Bristol City Council's 'funding for care and support policy'.
- Be assessed by Bristol City Council 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 the property is not, you must arrange for it to be registered at your own expense);
- Have mental capacity to enter into 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 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.
- Bristol City Council will require proof to be shown of maintenance and insurance on a regular basis.
- Pay any client contribution in a timely and regular manner; if you fail to pay the client contribution on a regular basis we reserve 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 Bristol City Council.

PLEASE NOTE: Acceptance of any application under a Deferred Payment Agreement is subject to you meeting the criteria for entering the scheme, and for us to be able to obtain security in your property. We will ask you to complete an application form.

Bristol City Council – Deferred Payment Agreement charges (from 1st April 2015)

Set up fee	£500
Annual charge	£100

Interest rate (01.04.2015 – 30.06.2015)	2.65%
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NOTE: 15 year average gilt yield as set out by the Office for Budget Responsibility in the Economic and Fiscal outlook report plus a default component of 0.15%

Disposable Income Allowance	£144.00 per week
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Bristol City Council recommends that anyone considering a Deferred Payment Agreement obtains independent financial advice.

Where can I find out more about Deferred Payment Agreements?

Website: www.bristol.gov.uk/payingforadultcare

Email: adult.care@bristol.gov.uk

Tel: 0117 922 2700

Fax: 0117 903 6688

We can provide this information in another format like large print, audio or Braille. Or in a language other than English.
Telephone: 0117 922 2700