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Deferred payment agreements for long-term care

If most of your client's money is tied up in property and they have very little savings, their local authority may offer them the option of delaying payments so they don't have to sell their home immediately to pay for long-term care. This is known as a deferred payment agreement.

Deferred payment agreements explained

A deferred payment agreement is an arrangement with the local authority that lets people use the value of their homes to help pay care home costs. If they are eligible, the council will help to pay for care home fees on the individual's behalf. They can delay repaying the council until they choose to sell their home, or until after death.

The local authority usually ensures that the money an individual owes in care fees will be repaid by putting a legal charge on the property. Any money owing on the deferred payment agreement, including interest and administration costs must be repaid when the house is sold or the individual leaves residential care.

Upon death, the executor of the will are responsible for repaying the amount owing on whichever is the sooner of the following dates:

- The date on which the property or asset is sold or disposed of
- 90 days after the date of death

The local authority may give the executor longer to repay the amount if there are difficulties or delays in repaying.

Who is eligible to use a deferred payment agreement?

To take part in a deferred payment scheme:

- Savings and capital of less than a certain amount, not including the value of your home (in England this is £23,250).
- Homeowner or have another asset that the local authority can use as security
- There should be no-one else living in the property who needs to stay there, such as a spouse, partner, child, a relative aged over 60, or someone who is sick or disabled.
- Individuals who are permanently in long-term residential care.

What are the advantages of using a deferred payment agreement?

- The council will pay for the costs of care so the individual in care doesn't have to find the money straight away.
- They only build up a debt against the value of their home for the amount of time that they are in care. If they know it is likely they may only need to spend a short time in care, for example because your condition is terminal this may be an option worth considering.
- The value of their home may continue to increase in value, effectively paying towards your care costs.
- They can carry on claiming Attendance Allowance, Disability Living Allowance (care component), or Personal Independence Payment (daily living component), if they're entitled to any of these benefits.

Continued overleaf

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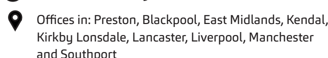
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If you would like to discuss this in further detail, please get in touch with our friendly advisor below.

What are the disadvantages of using a deferred payment agreement?

- They will still have to pay for the upkeep and maintenance of the house.
- They may have to continue paying for heating and lighting bills so that the house does not look unoccupied.
- They will have to keep the house insured and this may be a problem if no-one is living there.
- If they still have a mortgage on the property they will have to carry on paying it.
- House prices could fall leaving them with less money to pay back the fees.
- If they already have an existing equity release scheme they may not qualify for a deferred payment scheme.
- They will lose out on interest they could have earned if they had sold their house and put the capital into savings or investments.

Contact Us

Ben Harrison
Finacial Planning Consultant

T: 01772 821 021
E: ben.harrison@mooreandsmalley.co.uk

Laurence Kelly
Finacial Planning Director

T: 01772 821 021
E: laurence.kelly@mooreandsmalley.co.uk

mooreandsmalley.co.uk

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