

Factsheet



Information for people in Extra Care with Property

If you are assessed as eligible for Extra Care and you have a property, your property will usually be taken into account in the financial assessment.

Sometimes the value of a person's home is not taken into account, for example when a partner or dependent relative continues to live there. There may also be other circumstances when the Council has discretion to ignore the value of the property -

Options

If your property is taken into account in the financial assessment you have a number of options:

- You may choose to apply to sign up to the Deferred Payment Scheme. Effectively this scheme offers you a loan from Durham County Council. If accepted you can either put your property up for sale or choose not to sell your property during your lifetime. You will then pay the outstanding debt when your property is sold. More detail is set out below.
- You may choose to rent out your property, which together with your other income and savings could give you enough income to cover the full cost of your care.
- There are various equity release products which may be suitable for your personal circumstances. You would need to discuss this with a financial advisor.
- A family member may choose to pay some of the costs of your care for you.
- Alternatively you will be billed for the full cost of your care and you will need to make arrangements to cover the full cost of your service from other means.

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

Deprivation

Deprivation of assets or income occurs when a person has intentionally deprived themselves of an asset or income in order to reduce the amount they are charged towards their Extra Care service.

A person can deprive themselves of capital in many ways, but common approaches are:

- A lump-sum payment to someone else, for example as a gift or to repay the debt of another person.
- Substantial and gratuitous one-off expenditure has been incurred.
- The title deeds of a property have been transferred to someone else.
- Assets have been put into a trust that cannot be revoked.

People's ability to spend their income and assets as they see fit can be important for promoting their wellbeing and enabling them to live fulfilling and independent lives. However, it is also important that people pay their fair contribution towards their care and support costs and there may be cases where a person has deliberately tried to avoid care and support costs through depriving themselves of assets – either capital or income.

In such cases, the Council will either treat the person as if they still possessed the asset or, if the asset has been transferred to another person, seek to recover the lost income from charges from that other person.

What is the Deferred Payments Scheme?

The Deferred Payments Scheme is designed to help you if you have been assessed as having to pay the full cost of your care services – 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 Durham County Council using your home as security. It doesn't work in exactly the same way as a conventional loan – the council doesn't give you a fixed sum of money when you join the scheme, but instead pays an agreed part of your weekly care and support costs for as long as the agreement is in place.

You will pay a weekly contribution towards your care that you have been assessed as being able to afford from your income and other savings. The council pays the part of your weekly charge that you can't afford until your property is sold and the value of your home is realised. The part the council pays is your 'deferred payment'.

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 towards the cost of your care each week, thus reducing the weekly payments made by the Council, and minimising the eventual deferred payment debt.

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 Department of Health.

Currently the maximum rate to be charged is based on the cost of government borrowing, and will change on 1 January and 1 July every year. The current charge is 1.05%. This interest will be compounded on a daily basis.

The interest will apply from the day you enter into the deferred payment agreement with the Council. You will receive statements on a six monthly basis advising you how your charge is being calculated and the outstanding sum on your deferred payment account.

Your agreement with Durham County Council

If you decide to use the Deferred Payments Scheme, 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 former home while you are in Extra Care Housing, these will be allowed for in the amount that you are assessed as contributing each week from your capital and income.

You can end the Deferred Payment Agreement at any time (for example if you sell your home) and 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.

Advantages of using the Deferred Payments Scheme

The main advantage of the Deferred Payment Scheme is that you do not have to sell your home during your lifetime to pay for your care so long as there is sufficient equity in your property. Care charges can be deferred and paid from your estate.

Disadvantages of the Deferred Payments Scheme

By not selling your property you may not qualify for as much Pension Credit/other means tested benefits, for example Housing Benefit or Council Tax Reduction, which will increase the amount of the loan but you may qualify for Attendance Allowance/Disability Living Allowance/PIP. The Department for Work and Pensions (DWP) can be contacted to clarify your benefit entitlement.

You will need to ensure that your property is adequately insured and maintained, including gardens and outbuildings, throughout the deferred payment period.

Costs associated with the Deferred Payments Scheme

There are costs associated with the Deferred Payment Scheme which are detailed at the end of this Factsheet. These costs can be added to the amount deferred or paid for separately.

In order to apply for the Deferred Payment Scheme you must:

- Have capital (excluding the property) of less than £23,250.
- Be professionally assessed as requiring and be entering Extra Care.
- 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, it must be registered at your own expense but we can do this on your behalf).
- Have the mental capacity to agree to a Deferred Payment Agreement or have a person with legal authority to act on your behalf i.e. a Deputy appointed by the Court of Protection or someone with a relevant Enduring Power of Attorney or Lasting Power of Attorney. We can provide further information about how you would make these arrangements.

During 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 or/and cancel the Deferred Payment Agreement.

There can be no other beneficial interests on the property, for example outstanding mortgages or equity release schemes, unless this is approved by the Council.

Where you can get independent advice

You may want to consider taking independent financial advice before entering into a Deferred Payment Agreement. You can find details of independent financial advisors on our Locate website.

How do I apply?

If you wish to apply for the scheme you will need to complete a Deferred Payment Application Form. The Financial Assessment & Benefits Officer carrying out the financial assessment will be able to explain the scheme in more detail, answer any questions that you may have and send you an application form.

Acceptance of any application under the scheme is subject to you meeting the criteria for entering the scheme, and Durham County Council being able to obtain security on your property.

Information correct as at April 2020. Next Review April 2021.

Deferred Payment Scheme costs

* This relates to a standard charge for admin costs where a deferred payment application/agreement is terminated before its completion (whatever the reason).

Fees and charges	Frequency	Cost
Legal fees -		
Preparation and Registration of DPA and charge	per activity	£155.00
Removal of Charge	per removal	£50.00
Application for Voluntary First Registration**	per application	£205.00
** anyone with un-registered title deeds will be required to apply for the voluntary registration of their title deeds prior to being granted a DPA		
Land Registry fees		
Property Value		
£0—£100,000		£20
£100,000—£200,000		£30
£200,000 - £500,000		£40
£500,000—£1,000,000		£60
Above £1,000,000		£125
Office Copy and Title Plan	per request	£6.00
Registration of Charge	per registration	£20.00
Discharge of Charge	per discharge	Free
Voluntary First Registration— value of property		
£0-£80,000	per application	£40.00
£80,001- £100,000	per application	£80.00
£100,001- £200,000	per application	£190.00
£200,001 - £500,000	per application	£270.00
£500,001 - £1,000,000	per application	£540.00
£1,000,001 and over	per application	£910.00
Valuation costs		
	per valuation	£150.00
Administration fees		
Initial Set-up	per case	£190.00
Annual fee	per case	£50.00
Abortive Admin Fee*	per case	£50.00

Contact

Financial Services Team
Resources
PO Box 257
Stanley
DH8 1GL

Tel: 03000 268 232



Need help finding the right care and support?

Locate is a free online resource provides a wealth of information and services making it easier for you to make plans now and in the future.

Please ask us if you would like this document summarised in another language or format.

Tel: 03000 268 232