Deferred Payments Scheme

A guide for people who are entering residential care and who own property

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Derby City Council

Entering Residential Care and a Financial Assessment

If you are entering residential care (including nursing homes and supported living accommodation) Derby City Council (the Council) will carry out a financial assessment to work out the contribution you must pay towards the cost the Council expects to pay for your care. The financial assessment will be based on your income and capital, including savings.

If you own, or partly own, or have a beneficial interest in a property (including, but not limited to, your own home), the value of this will be taken into account.

In the financial assessment, there are some circumstances where we (the Council) do not take the value of your home into account, for example:

- If the stay in the residential care is for Short Term Care or Temporary Care and there is a plan drawn up for you to return to your home. (See the Guide to Paying for Residential Care for the definition of Short term, Temporary and Long term care).

- When your home has been continuously occupied by:
    - A partner, except where they are estranged.
    - A lone parent who is your estranged or divorced partner.
    - A child of yours under 18.
    - A relative of yours as specified in the charging guidance who is aged 60 or over; or
    - A relative of yours as specified in the charging guidance who is incapacitated.
    - Before your admission to residential care as their main or only home.

The above only applies in relation to your home and would not apply to any additional property which you may own in addition to your home.

If the financial assessment identifies that you must pay the usual full cost of your residential care, but you do not have sufficient income or capital to do this, then you may have to sell your home in order to pay the associated residential care fees. Some people, for various reasons, cannot or do not wish to sell their home so soon after going into residential care or during their lifetime.

In such circumstances, the option of a **Deferred Payments Scheme** may be available and could avoid you needing to sell your home during your lifetime.

What assistance is offered by the Deferred Payments Scheme and what is a Deferred Payment Agreement?

The Deferred Payments Scheme may help if you have 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.

A Deferred Payment Agreement (DPA) is a legal agreement under the **Deferred Payments Scheme** and ensures that you are not forced to sell your home in your lifetime, in order to meet the full costs of residential care.

Effectively the scheme offers you a loan from the Council, using your home as security.

It is not the same as a conventional loan as the Council do not give you a fixed sum of money when you join the scheme, but we pay an agreed part of your weekly cost for your care in a residential or nursing home for as long as is necessary (subject to some conditions) and you pay a weekly assessed amount towards your care from your income and other savings. The part of your weekly care fees that you cannot afford is your **Deferred Payment** and is paid by the Council. The full costs of your residential care is therefore met in part by your income etc. and in part by the Council via a DPA.

The part-payment of the residential care costs met by the Council is a deferred cost to you, and not “written off”. The Deferred Payment builds up as money owed by you (a debt) which must be repaid by you (or a third party on your behalf) at a later date.

For many people this will be done by selling their home as part of their estate. The money owed to the Council can also be arranged to be paid back to the Council from another source.

You will be charged interest on the deferred amount.

How does the scheme work?

A financial assessment will be completed which will show the full cost charge you are required to pay for your care broken down into the amount you are required to pay from your available income and capital and the agreed weekly deferred amount.

Subject to affordability, the Council will pay the difference between your assessed weekly contribution and the full cost of your care for as long as necessary. This is subject to some conditions which are outlined in this document. The amount paid by the Council becomes the Deferred Payment and you will need to pay the Deferred Payment back to the Council at some point in the future.

The 12 week property disregard

The Government recognises that it may be difficult to decide what to do about paying for your residential care home placement and what to do about your property in the long term, including making a decision about selling your home.

To allow you the time to think about what you would like to do with your property, if you are admitted into residential care on a long term basis, the value of your main or only home will not be included in the assessment of your care charges for the first 12 weeks of your long term care.

This is referred to as the **12 week property disregard.**

The 12 week property disregard will apply if your capital, excluding the value of your main home, is not more than £23,250 and your weekly income is less than the usual amount the Council expects to pay for your residential care fees.

If you qualify, the Council will ask you to pay a contribution based on your income and other assets/savings and the Council will meet any difference between that amount and the usual amount it expects to pay for your care for 12 weeks. After the 12 week period the value of your home will be taken into account in working out how much you should pay. If you have chosen a more expensive care home placement, a third party top up payment will also have to be made (please refer to the Council's guide to third-party top ups)

If the property is sold in the 12 week period, the disregard ceases to apply from the date of the completion of the sale and the proceeds are counted as capital.

If your stay was initially Temporary Care the 12 weeks run from the date it is decided your residential care place becomes **Long-term Care.**

If you have already lived in care for more than 12 weeks before the date financial assistance is provided by Council with your care, the 12 week disregard will not apply.

Who is eligible for the Deferred Payment Scheme?

You must be entering residential care and to be eligible to apply for a DPA you must:
- Be assessed as requiring Long Term Care in a registered care home that is able to meet your needs.
- Not have capital, excluding the value of your home, of more than £23,250 (as at April 2026) and your weekly income must be less than the full cost of the care home fees.

- Be the sole owner of a property occupied as your main residence or, if the property is held in joint names, then all co-owners must agree to a legal charge on the property in favour of the Council.
- Not have the value of your property disregarded in the financial assessment of your charges because a partner or a qualifying relative is living in the property.
- Have sufficient equity in your home, equivalent to approximately 3 years funding, allowing for increases in residential care fees.
- Ensure the property is registered with the Land Registry (if it is not then you must arrange for this to be done at your own expense)
- Allow the Council to have the first legal charge on your property, unless otherwise agreed.
- Have mental capacity to consent to, and sign, a DPA or have a legally appointed representative willing to do this for you.

What do you need to do during the Deferred Payment Agreement?

Whilst the agreement is in place, you will need to:

- Have a responsible person willing and able to ensure 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 your part-payment contribution of the care costs regularly and on time. If you do not, the Council retains the right to add this debt to the deferred payment amount.
- Ensure there are no other beneficial interests on the property, for example outstanding mortgages or equity release schemes, unless this is approved by the Council in advance.
- Let the Council know of any change in your financial circumstances.

Security for a DPA

The Council will ensure there is adequate security in place before it will enter into a DPA. The Council always accepts a first legal charge on a property owned by you (subject to the other eligibility criteria being met).

If a property is used as security for a DPA, this means that when the property is sold, the proceeds of the sale are used to repay the Deferred Payment balance before any other debts or distribution to named beneficiaries in a will if the property sale has taken place after your death.

If a property is used as security for a DPA, this means that the Council will have a right if the Deferred Payment becomes repayable (such as upon your death) to sell the property and to recover the outstanding amount out of the proceeds of any sale, where the Deferred Payment balance is not repaid within the agreed timescales. The Deferred Payment balance is due 90 days after your death.
The Council has discretion to decide what else may constitute adequate security for

DPA's in cases where a first legal charge cannot be secured.

The Council will consider other forms of security on a case-by-case basis but has full discretion in individual cases to refuse a DPA if it is not satisfied that adequate security can be provided. The Council will consider the risk that the Deferred Payment will not be repaid as it has a duty to protect public money when making decisions on adequate security.

Examples of other forms of security that may be considered include:

- A third-party guarantor, subject to the guarantor having or offering an appropriate form of security.
- A solicitor's undertaking letter.
- A valuable object such as a painting or other piece of art.
- An agreement to repay the amount deferred from the proceeds of a life assurance policy or from fixed term savings plans.
- a second ranking charge on a property.

How much money can be deferred in a DPA?

The maximum amount that can be deferred is known as the **Equity Limit**. This is calculated as follows:

- Your share of the property value.
- Less 10% (to allow for future selling costs).
- Less the lower capital limit (£14,250 as at April 2026).
- Less any charges already placed on the property (i.e., existing mortgage) where appropriate.

Having an Equity Limit provides you and the Council with protection from any fluctuation in property prices. Where the value of your security changes (such as a change in the value of your property) this will affect the Equity Limit and the amount which you are able to defer.

When will the Council not allow any more money to be deferred?

The Council cannot defer any further fees when you have reached your Equity Limit. However, interest and administration charges will continue to be added to the amount outstanding until the outstanding Deferred Payment balance has been paid back.

When 70% of your Equity Limit has been reached, the Council will contact you so that we can discuss what options may be available before you reach the Equity Limit.

In addition to the above, the Council cannot continue to defer fees in the following circumstances:

- If you become eligible for local authority support (for example, due to a change in your financial circumstances or care needs).
- If you are no longer receiving care and support in a care home or supported living accommodation.
- If we no longer consider that your needs should be met by the provision of a care home or supported living accommodation.
- If a property is used as security for the Deferred Payment and that property can no longer be insured against all usual risks (fire, flood, subsidence etc.), unless there are reasonable grounds for concluding that the value of the land itself (disregarding any building on the land), is adequate security for the debt, together with such further lending as is to be provided.

However, in such circumstances interest and administration charges will continue to be added to the amount outstanding until the outstanding Deferred Payment balance has been paid back.

How will the residential care fees be paid?

Our standard arrangement is that the Council will pay the total weekly cost of your care which is made up of your agreed weekly contribution plus the weekly deferred amount, (which may include a third party or top up amount) direct to the care home. You will be required to pay your agreed weekly contribution to the Council.

The Council can pay the weekly deferred amount directly to you and you are then responsible for paying the care home direct. If you decide you want the Council to pay the deferred payment directly to you, then you will be responsible for directly paying the care home for the total cost of your care – both your agreed contribution and the deferred payment. Please contact the Council for more information if you would like to receive the Deferred Payment directly.

Regardless of which payment option you choose, the weekly Deferred Payments build up, as a debt owed by you to the Council, must be repaid by you (or a third party on your behalf) at a later date.

What costs are associated with DPAs?

Fees

The Council will make an administration charge for the set-up of the DPA. This includes, for example, costs associated with registering a legal charge on a property, legal fees and staff time. This charge is payable when signing the agreement. If you are unable, or do not wish to pay this when it is due, then the set-up fee can be added to the deferred amount. It is important to note that if the set-up fee is added to the deferred amount, then it will be subject to interest charges. The fee for 2026/27 is £1,067.00.

The Care Act 2014 also allows the Council to charge an annual administration fee for the DPA. This covers the costs of maintaining the DPA. This includes, for example checking the necessary insurance is in place, providing statements and staff time.

The Council does not currently charge an annual administration fee for DPAs, but the Council reserves the right to do so. If the Council decide to apply an annual maintenance fee in the future, we will notify you in writing giving at least 28 days' notice.

To determine the value of your home, the Council will ask you to provide an independent, professional valuation. This will be at your expense. If you are unable to do this, then the Council will obtain a valuation, the cost of which will be added to the deferred amount, unless you have agreed to pay this separately.

Interest

The **Deferred Payment** has interest charged in the same way a normal bank loan. The Council will charge compound interest on the total deferred debt (including any fees, administration charges and accrued interest), until that debt has been repaid. The maximum interest rate is fixed by the government and is reviewed on 1st January and 1 July every year. The interest rate is the market gilts rate published by the Office of Budget Responsibility + 0.15%. Interest will be compounded daily.

Details of the current rate of interest is available in the **document Deferred Payments Scheme – Schedule of Charges** which can be found on the Residential Care Homes webpage.

You will receive twice yearly statements. These will show all charges during the period including interest charges, the deferred balance, the remaining deferred equity and an estimated date when this limit will be reached.

When does the Deferred Payment need to be repaid?

The **Deferred Payment** needs to be repaid as given below:

a) On your death (the full balance of the deferred payment, including interest and fees, is due a maximum of 90 days after your death).
b) On the sale of any property which has been used as security for the DPA (the full balance of the deferred payment, including interest and fees, is due immediately upon any such sale).
c) On the sale or redemption of any asset or financial product policy (eg: savings plan, life insurance policy) which has been used as security for the DPA (the full

balance of the deferred payment, including interest and fees, is due immediately upon any such sale).

The DPA does not end until the full outstanding balance of the **Deferred Payment**, including interest and fees, is repaid to the Council. Until this time interest and fees will continue to accrue.

How can I end the DPA?

The DPA can be ended by you, or someone acting on your behalf, repaying the full balance of the Deferred Payment, including interest and fees, at any time. You need to inform us in writing that you wish to end the DPA. The Council will then provide you the details of the full amount outstanding, including interest and any fees.

Remember until the full balance of the deferred payment, including interest and fees, is repaid to the Council, daily interest and any applicable fees will continue to accrue.

Advantages

Choosing to accept a deferred payment means you can delay paying a proportion of your care costs until such time as it suits you during your lifetime, or the debt can be repaid from your estate.

You may wish to choose a home that has a ‘top up’. This is where the price is higher than the amount the Council will pay for the care. The government’s rules say that ‘top up ’for people not using the Deferred Payments Scheme currently have to be paid for by somebody else, for example, a member of their family.

You may add the cost of the ‘top up ’payments to your Deferred Payment loan if the Council decides there is enough equity in your home to sustain the top-up during your placement. This may give you more choice about your accommodation. A deferred payment is currently the only way of paying the top up yourself without depending on a third party.

You may also choose to rent out your house and use the rental income to increase the amount you pay towards your care each week. This extra income will reduce the eventual Deferred Payment balance. See also **Other Options** below.

You may qualify for Attendance Allowance/Disability Living Allowance Care component/Personal Independence Payment for Daily Living Costs which would go towards your care costs and reduce the weekly amount being deferred.

You are allowed to keep an amount of your income to help with the maintenance costs of your property, for example. This is called the **Disposable Income Allowance**. The maximum Disposable Income Allowance you are allowed to keep is **£144 per week** (as at April 2026). It’s important to remember that the amount which you retain from your income will increase your debt. You can choose to keep a lower amount and reduce the overall debt.

Disadvantages

A DPA usually means that your property is used as security and a legal charge is placed on your property. This means that when the **Deferred Payment** balance is due (when the house is sold or on your death) then the debt must be repaid from the proceeds of the house sale before all other debts or bills are paid unless you, or your estate, are able to repay the full balance in another way. This will reduce the value of your estate that you may have chosen to leave to family or friends.

You must insure your property and ensure it is maintained for the duration of the DPA agreement and you will be responsible for this cost.

The DPA has administrative charges which must be paid at the time of signing the agreement. If you do not pay these in full at this time, then they can be added to the Deferred Payment, but you will get charged interest on this.

Interest is added to the Deferred Payment on a daily basis and will continue to be added until the Deferred Payment balance is repaid in full.

You need to consider that by not selling your property you may no longer qualify for Employment and Support Allowance, Universal Credit or Pension Credit which means the weekly amount being deferred will increase.

Other Options

You may 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. If this is an option for you then it may mean that you will not need to rely on a loan from the Council to meet your care costs and there will be no need for a legal charge to be placed against your property.

You may choose to rent out your property, which could give you enough additional 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 and your property will be occupied. Your tenant will be paying utilities and council tax which will reduce your outgoings.

Even if the rental income does not cover the cost of your care in full, it could still be helpful in reducing the amount you require from your other resources and make funding your own care affordable. If funding your care independently is not an option, then the rental income could still mean you accrue a smaller debt and reduce the claim made by the Council when your property is sold or from your estate under a DPA.

You need to consider that by not selling your property you may no longer qualify for Employment and Support Allowance, Universal Credit or Pension Credit but you may qualify for Attendance Allowance/Disability Living Allowance Care component/Personal Independence Payment for Daily Living Costs.

There are also various products, such as immediate care plans or equity release schemes which may be suitable for your personal circumstances.

Before deciding which course of action is the best one for you financially, you should take independent financial and legal advice to be sure that whatever you do with your capital allows you to meet your future care needs.

Who can I talk to about this?

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

There are sources of independent information on paying for care. Some of these are:

https://www.ageuk.org.uk/information-advice/care/paying-for-care/

https://www.moneyhelper.org.uk/en/getting-help-and-advice/long-term-care-advice/get-financial-advice-on-how-to-fund-your-long-term-care

A guide to Property and Paying for residential Care has been produced by Age UK https://www.ageuk.org.uk/globalassets/age-uk/documents/factsheets/fs38_property_and_paying_for_residential_care_fcs.pdf

The Society of Later Life Advisers (SOLLA) specialises in retirement and later life: www.societyoflaterlifeadvisers.co.uk or telephone 0333 2020 454

This leaflet is intended to give an overview only of the Deferred Payments Scheme.

For more details or to discuss further please contact the Financial Assessment Hub on FinancialAssessmentHub@derby.gov.uk or telephone
01332 640773.

How do I apply for the Deferred Payment Scheme?

After taking independent financial and legal advice, if you wish to apply, please contact the Financial Assessment Hub on FinancialAssessmentHub@derby.gov.uk or telephone 01332 640773 who can provide you with the Deferred Payment Agreement form.

If for some reason you narrowly fail to meet the criteria for the Deferred Payment Scheme, please talk to us to see if there is a way we can help you to access the scheme.

Agreement is at the discretion of the Council and depends on your ability to meet the criteria for entering the scheme.