

Deferred Payments Information

London Borough of Croydon

Care Act April 2014

Updated: January 2025

The London Borough of Croydon Deferred Payments Scheme

Charges for Residential Accommodation and other specific settings - If you own your own Property

This leaflet offers summary information telling you about the finance related options available to you when entering a permanent residential care home or where London Borough of Croydon have agreed you qualify for a Deferred Payment arrangement.

Options available to you

Once you have chosen your care home, you will need to decide how you are going to pay for the care fees.

There are two options available to you:

1. You can choose to make your own financial arrangements independently of the London Borough of Croydon
2. You can apply to the Deferred Payments Scheme operated by the London Borough of Croydon

Below, we explain what the Deferred Payments Scheme is and how it might help you.

If you would like the London Borough of Croydon to help you pay your care fees

If you would like to apply for the Deferred Payments Scheme, you will need to complete a financial assessment form to enable us to understand your circumstances.

This should be done as soon as you know that you would like to make an application. Once we have all the information we need, we will calculate how much you can afford to pay towards your care fees.

Things you need to know about the financial assessment

Will my property be taken into account?

- If you need permanent residential care or meet eligibility within another care setting, the financial assessment team may take the value of your home into account when working out how much you should pay towards your care home fees.
- The value of your property **is not** taken into account if:
 - your partner/spouse continues to live in the property
 - your stay in the care home is only temporary
 - a relative (as defined by paragraph 35 of the Care Act) lives in the home (qualified by paragraph 34 c of the Care Act) and is either;
 - a child of the resident is aged under 18
 - aged 60 or over
 - is incapacitated

- The value of your property **is** taken into account if:
 - you do not have sufficient income or other assets/savings to meet the full cost of the care home fees.

The 12-week property disregard rule

- For the first 12 weeks of care, the financial assessment team will determine if you qualify for the 12-week property disregard. This means that for the first 12 weeks of permanent stay in the residential care home, your property is not considered when we calculate how much you should pay towards your care fees.
- This will apply to you if your weekly income is not high enough to pay the fees or you do not have assets/savings of more than £23,250.
- If you qualify, the Council will only ask you to pay a weekly contribution based on income and other assets/savings that you have, and we will pay the difference between that amount and the fee that we have agreed to pay the residential home for your care.
- After the 12-week period the value of your property will be considered in working out how much you should pay.
- Therefore, if you qualify, from week 13, the Deferred Payments Scheme will take place. It is therefore important that you work with us to get all arrangements in place before the end of your 12-week property disregard period.

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 residential care – 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 London Borough of Croydon using your home as security. It doesn't work in the same way as a conventional loan – the London Borough of Croydon doesn't give you a fixed sum of money when you join the scheme but pays 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. The London Borough of Croydon pays the part of your weekly charge that you can't afford until the value of your home is realised.

The part the London Borough of Croydon 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. 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 each week, thus reducing the weekly payments made by the London Borough of Croydon and minimising the eventual Deferred Payment debt.

London Borough of Croydon will offer a Deferred Payment Agreement to people who meet the criteria governing eligibility and who are able to provide adequate security for the debt. The eligibility criteria are covered in section 11 of the Deferred Payments Policy document.

What is it and who is it for?

- The Deferred Payments Scheme allows clients who own their own home to arrange whereby they do not have to sell their home during their lifetime to pay their care costs. Instead, London Borough of Croydon will pay the cost and recover the money owed by the

client at a later date. Interest and administration fees will also be recovered later, if they are not paid-up front, as specified within the Deferred Payments Agreement.

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 to 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). If the property is co-owned the other owner(s) must agree/consent to enter into a Deferred Payment Agreement
- have mental capacity to agree 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
- 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.

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

What do I need to know about the scheme?

- You should read London Borough of Croydon Deferred Payments policy and agreement before applying for a Deferred Payment to ensure you have a full understanding of terms and arrangements. You should seek independent financial advice if you are unsure or do not fully understand what the agreement means.
- However, key points are as follows;
 - London Borough of Croydon will put a legal charge on your property to secure the debt owed. The debt owed will be made up of some or all the following fees, legal fees, administration fees and interest, as set out in London Borough of Croydon's annual fees and charges schedule. The total debt will be recoverable through property security in accordance with the Deferred Payment Agreement.
 - You or your estate will pay back the deferred contributions when the property is sold or when the residential care stops.
 - Interest will accumulate while the payments are being deferred; interest will be charged from day 1 of the agreement and rates are subject to change every 6 months, as determined by Central Government. Interest is calculated and charged on a daily compound basis.
 - If you and London Borough of Croydon agree to defer payments, you should seek independent financial advice before arrangements are finalised.
 - You will need to ensure that the property is secure, insured and maintained at all times.

How do I apply for Deferred Payments?

- If you would like to apply for the Deferred Payments Scheme you should call the financial assessment section on: 020 8726 6000 ext 44075 or speak to your Care Manager who can put you in touch with us.

We will then:

- Arrange for you to complete a financial assessment form so that we can calculate how much you should pay towards the cost of your care home fees. Information we need includes:
 - Service user's details
 - Contract fees – this is the total care home rate (including any top up)
 - Top up value – identifying if the Service User wishes to self-top up under the scheme
 - Declare rate – the cost the council would contract for
 - Value of Property
 - Details regarding Ownership (Land registry or deeds)
 - Details regarding any debts listed against the property i.e., mortgage etc.
 - Insurance of building value and renewal date
 - Condition of the property
- From this information we will determine if we are able to offer you the Deferred Payments Scheme. We will notify you and your Care Manager of the outcome.
- If you are accepted, we will arrange the completion of the Deferred Payment Agreement.
 - You must ensure that you keep a copy of the agreement to retain for your own records.

What if the home I choose is more expensive than the London Borough of Croydon's standard rate?

- If you wish to enter a home under a Deferred Payment Agreement that is more expensive than the amount that we have agreed to pay, you can:
 - arrange for a member of your family to pay the 'top up'. This is known as a 'Third-party top-up'.
 - ask us to pay it and add that amount to the deferred contribution that will be repaid eventually from the sale of your property – we will check to see if this is a financially viable option.
 - you can pay the difference but must be able to meet this cost from other assets/savings you have. This is known as a 'First Party Top Up' - we will check to see if this is a financially viable option
 - Please be aware once your assets fall below the threshold you may have to move to a cheaper home as London Borough of Croydon would not pay over and above their rate.

What if I want to rent my house out?

- You can rent your property out so that rental income can help pay towards your care fees. If you choose to rent your property, we will include the rental income in your financial assessment and give you an option to retain up to 10% of the weekly income. This means that we will ignore up to 10% of the rental income when calculating how much you can afford to contribute towards your care fees.
- Some people like the idea of renting their property out as the income helps reduce the amount of debt accrued under a Deferred Payment Agreement.
- Information about a scheme called 'Capital Letters' is available on Croydon Council's website. The scheme is always looking for private rented properties to house families in the borough. Our private sector lets are secured through Capital Letters, which works with most of the councils in London. Capital Letters provides a free tenant finder service to landlords and agents. It offers a non-returnable cash incentive when your property is let and supports the tenant and landlord throughout the tenancy.

- Capital Letters is a non-profit company owned by councils in London and funded by the government. Find out more at CapitalLetters.org.uk/landlords. For more information, please contact info@CapitalLetters.org.uk or call 020 3906 7460
- However, you should consider this carefully and seek independent financial advice if you are unsure of how renting your property out will work for you.

When you calculate how much I can afford to contribute, how much money can I keep for myself each week?

- When we calculate how much money you can afford to pay towards your care fees, we follow guidance set out by the Department of Health and The Care Act 2014.
- This enables us to allow you a personal allowance each week which is set by the Department of Health at the start of each financial year. This is currently £30.15 per week.
- However, if you qualify for a Deferred Payment Agreement, we can offer you a personal allowance of up to £144.00 per week. You do not have to take the maximum amount of personal allowance, but you must take at least the minimum amount each week.
- It is worth remembering that the lower the amount of personal allowance you take each week, the lower the amount of accrued debt you generate each week.
- If you are unsure of how your decision around personal allowance will affect you, you should seek independent financial advice.

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. Currently the maximum rate to be charged is based on the cost of government borrowing and will change on 1st January and 1st July every year. This interest will be compounded daily. Please see the last page for all interest and charges made by Croydon Council (subject to annual increases). The interest will apply from the day you enter into the Deferred Payment Scheme. You will receive regular statements every six months (January and July) or on request, advising you how your charge is being calculated and what the outstanding sum on your Deferred Payment account is.

Please note these fees may vary depending on the time spent on your Deferred Payment Agreement – the costs listed above are a guide only and do not acknowledge the cost of a property valuation should this be required at any point of the agreement or additional time spent as deemed necessary to be Care Act Compliant

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

Further Help and Information

Please call the Financial Assessment and Policy Team: 020 8726 6000 ext 44075. If you wish to apply for the scheme, in the first instance please contact your care manager, Alternatively, please call the Charging Helpline on 020 8760 5676.

PLEASE NOTE:

Acceptance of any application under the scheme is subject to you meeting the criteria for entering the scheme, and the London Borough of Croydon being able to obtain security in your property.

Where you can get independent advice:

Age UK Croydon
81 Brigstock Road

Thornton Heath
CR7 7JH
Tel: 020 8686 0066
Email: aukc@ageukcroydon.org.uk

Citizens Advice Croydon

48-50 Portland Road
London
SE25 4PQ
Tel: 0808 278 7960

Southwest London Law Centers – Croydon

5th Floor,
Davis House,
Robert Street,
Croydon
CR0 1QQ
Tel: 020 8767 2777

Setting up the Deferred Payment Agreement (DPA) – One off set up fee		
Land Registry search*		£3.00 to £7.00 for an electronic official copy effective from 9/12/2024 £7.00 to £11.00 for paper copy from 09/12/2024
Legal fees: this covers the cost of placing the charge on a property and may change as this is set by the solicitor not LBC		£840 (plus any disbursements incurred as necessary)
Staff costs: 15 hours work for an officer to initiate, set up and complete all the Tasks required*		£513.14
Property valuation: this charge may vary as it is set by the district valuers		£165 per hour (May vary depending on the complexity of the case)
In year cost of maintaining the DPA – charged annually		
Legal fees: no costs are anticipated in a standard DPA case but may arise in unforeseen circumstances*		
Staff costs: 2 hours staff time, every quarter to monitor, re-evaluate and carry out necessary sustainability tasks*		£273.65
Property valuation: only when debt reaches 50% of equity or the unforeseen need for an in-depth review of the DPA's sustainability*		£165 per hour (May vary depending on the complexity of the case)
Land registry search*		£3.00 to £7.00 for an electronic official copy effective from 9/12/2024 £7.00 to £11.00 for paper copy from 09/12/2024
Closing down of the DPA – one off check out fee		
Legal fees: this covers the cost of removing the charge on a property and may change as this is set by the solicitor not LBC		£360.00
Staff costs: 2 hours work for an officer to initiate, set up and complete all the tasks required*		£68.41
Interest rates		
Interest will be charged from day 1 of the DPA. It is calculated on a daily Compound basis and added to the outstanding debt. Interest rates will change every 6 months and are set by Central Government.		
The interest rates are as follows:		
(2.65% from 1 Jan – 30 June 2015)		
(2.25% from 1 July – 31 December 2015)		
(2.15% from 1Jan – 30 June 2016)		
(1.85% from 1 July - 31 December 2016)		
(1.35% from 1 January 2017 - 30 June 2017)		
(1.65% from 1 July 2017 - 31 December 2017)		
(1.45% from 1st Jan 2018 to 30th June 2018)		
(1.85% from 01July 2018 to 31December 2018)		
(1.65% from 01January 2019 to 30Jun2019)		
(1.45% from 01Jul19 to 31Dec19)		
(1.45% from 01 January 2020 to 30 June 2020)		
(1.05% from 01July2020 to 31 December 2020)		
(0.45% from 01 January 2021 to 30 June 2021)		
(0.75% from 01 July 2021 to 31 December 2021)		
(0.95% from 01 Jan 22 to 30 June 2022)		
(1.55% from 01 July 2022 to 31 December 2022)		
(3.18% from 01 Jan 2023 to 30 June 2023)		
(3.43% from 01 July 2023 to 31 December 2023)		
(4.65% from 01 January 2024 to 30 June 2024)		
(4.05 from 01 July 2024 to 31 December 2024)		
(4.25% from 1 Jan 2025 to 30 June 2025)		