Deferred Payments Scheme and Letter of Undertaking Scheme

Using your property to help pay for your care
If you own property and if that property is being considered in your financial assessment as a capital asset, you will be responsible for the full cost of your care.

If you do not want to sell your property, or are unable to sell your property straight away, there are two schemes that the Council offers to help you pay for your care. These are called the Deferred Payments Scheme and the Letter of Undertaking scheme.

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.

The scheme offers you a loan from Hertfordshire County Council using your home as security. It doesn’t work in the same way as a conventional loan – the local authority 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 council pays the part of your weekly charge that you can’t afford until your home is sold or when the agreement ends.
- The part the council pays is your ‘Deferred Payment’. The deferred payment builds up as a debt. For many people this debt will be cleared by selling their home, either immediately or later. You can also pay the debt back from another source if you want to.
- Interest is charged (see Charging Interest in this factsheet for more information on interest charges)

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. This will lower the weekly payments made by the council and reduce the eventual deferred payment debt.

Your agreement with Hertfordshire County Council
If you decide to use the Deferred Payments Scheme, you must enter into an agreement with the council by signing an agreement. The council then places what is
called a ‘legal charge’ on your property to safeguard the loan. Administrative charges apply and are explained further in this factsheet.

The agreement covers the responsibilities of the council as well as your responsibilities. You are responsible for making sure that your home is insured and maintained. If you incur expenses in maintaining your home while you are in residential or nursing care, we will take these costs off the amount that you will be contributing from your capital and income each week. You will need to show us proof of your expenses so that we can do this.

In addition, you have the option of increasing your Personal Allowance from £24.90 per week up to £144 per week. Personal Allowance is an amount we take off your income before calculating your assessed contribution. Please be aware that exercising this option will mean that your debt will build up faster.

You can end the agreement at any time, but the loan then becomes payable immediately. The agreement will automatically end if you sell the property and the loan will be payable at that point. Otherwise the agreement ends on your death and the loan becomes payable 90 days later.

**The council cannot cancel the agreement without your consent**

You should get independent financial and legal advice to help you decide which course of action will be financially better for you. HertsHelp can give you information about how to get independent advice – HertsHelp contact details are at the end of this factsheet.

**Advantages of using the Deferred Payments Scheme**

- You do not need to sell your home in your lifetime.
- If you enter into a deferred payment; you can add the cost of the ‘top up’ payments to your Deferred Payments Scheme loan, if the council agrees that there is enough equity in your home. Top Ups are explained below.

**Top Ups**

A ‘top up’ is the difference between the standard rate that the council will pay towards a care home placement and the additional costs of a more expensive care home. The government’s rules say that ‘top ups’ for people not using the deferred payments scheme have to be paid for by somebody else – for example, a member of their family.

**Costs of the Deferred Payments Scheme**

There are administrative costs of £478 which must be paid, these are:

- Legal costs, which are currently £260;
- Land Registry charges of £40;
- Land search fees of £3;
- Administration charge of £175.

Hertfordshire County Council’s legal department will write to you separately about these charges when you take out an agreement.
Qualifying for the scheme
To apply for the Deferred Payment Scheme you must:
- Have savings or other capital (excluding the property) of less than £23,250.
- Be professionally assessed 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 being included as a capital asset in your financial assessment, and ensure your property is registered with the Land Registry. If the property isn’t registered, you must arrange and pay for this.
- Have mental capacity to agree to a deferred payment agreement or have a legally appointed agent willing to agree this.
- There can be no other beneficial interests on the property, for example outstanding mortgages or equity release schemes unless this is approved by Hertfordshire County Council.

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 your contribution in a timely and regular manner. If you fail to pay your contribution on a regular basis the council reserves the right to add this debt to the loan amount and charge interest.

Letter of Undertaking scheme
The letter of undertaking scheme is similar to the Deferred Payments Scheme. Similarities include:
- We charge interest (see Charging Interest below)
- We provide funding for your placement in the same way as we do for a loan under the Deferred Payments Scheme
- The Council will be repaid the debt you owe from the sale of the property, or any other source you deem necessary
- You will still have to pay an assessed contribution towards your care, which is calculated based on your income and available savings. This ensures the amount you borrow builds up at a lower rate each week
- You are not eligible for either scheme if you have savings or other available capital over the capital limit of £23,250.

The scheme differs from the Deferred Payment Scheme as follows:
- We do not place a legal charge on your property
- If you are accepted into the scheme, you must put your property on the market for sale and keep it on the market until sold. If you remove the property from the market, funding assistance will stop and you will need to pay the care home your full fee, as well as repay the Council any funds outstanding.
• You do not sign an agreement with the Council. Instead, the solicitors you employ in the sale of your property must give us a professional undertaking that the Council will be refunded, in full, upon sale of the property.

**Charging Interest**
Your loan will have interest charged on it in the same way as money borrowed from a bank. The interest rate that will be charged is fixed by the government. The rate that is charged is based on the cost of government borrowing and changes in January and July every year. This interest will be compounded on a daily outstanding amount. Interest charges apply from the day you enter into the Deferred Payment Scheme.

We will send you a statement every six months showing how your charge is being calculated and what the outstanding amount on your deferred payment account is. We will also inform you when interest rates change.

**Other options available to you**
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, 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.

There are also various equity release products which may be suitable for your personal circumstances. You may choose to pay the full cost of your care from your available income and 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. HertsHelp can give you information about how to get independent advice – HertsHelp contact details are at the end of this factsheet.

**PLEASE NOTE:**
Acceptance of any application under either of these schemes is subject to you meeting the criteria for entering the scheme, and Hertfordshire County Council being able to obtain security in your property (or in the case of a letter of undertaking, being able to secure an undertaking from your solicitor).

**Where you can get independent advice**
If you need help understanding this scheme or would like independent advice contact HertsHelp – their contact details are at the end of this factsheet.
To apply for the scheme

Please contact the Income Team. They will send you a form, called an ACS15 form. Alternatively, you may have been given a blank ACS15 form by the officer who came to see you for a financial assessment. You will then need to complete the form and send it back to the Income Team. Their contact details are:

Phone: 01438 843 434  
Email: ACS.Income@hertfordshire.gov.uk  
Post: Income Team  
Farnham House Postal Point SFAR225  
Six Hills Way, Stevenage SG1 2FQ

Contact us

Our website Information about adult social care – apply online for meals on wheels or a Blue Badge and make a referral for care services - www.hertfordshire.gov.uk/adults

Hertfordshire Directory Find national and local community groups, charities, services and activities directory.hertfordshire.gov.uk/

Contact us For information and advice on how to get care and support  
0300 123 4042 Textphone: 0300 123 4041  
contact@hertfordshire.gov.uk www.hertfordshire.gov.uk/adults

HertsHelp Independent information and advice on local community services and care funding.  
0300 123 4044 / 0300 456 2364 www.hertshelp.net

Calls to 0300 numbers cost no more than a national rate call to a 01 or 02 number.

If you are worried that you or someone you know is at risk of abuse or neglect Call us on 0300 123 4042 (24 hours a day)

Call 0300 123 4042 if you would like help to understand this information or need it in a different format. You can also ask to speak to someone in your own language.