Care
Navigators

DEFFERED PAYMENT AGREEMENTS

2025/26

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Local Authority Charging – Deferred Payment Agreements

Deferred Payment Agreement

A Deferred Payment Agreement is an arrangement with the local authority that enables a person to defer or delay paying some or all of the cost of their care until a later date. It is a way to prevent people from having to sell their home in their lifetime to meet the cost of their care. A charge is paced upon the property, interest is charged and an administration fee may also apply.

A Local Authority is required to offer a Deferred Payment Agreement, if a person meets all three of the following criteria at the point of applying:

- If they have been assessed by the Local Authority as having eligible needs that need to be met in a care/nursing home
- Anyone who has less than (or equal to) £23,250 in assets excluding the value of their home
- Anyone whose home is not disregarded for the purposes of the charging assessment

They are also encouraged to offer the scheme more widely to anyone they feel would benefit who does not fully meet the criteria.

A local authority may refuse to enter into a deferred payment agreement despite someone meeting the eligibility criteria:

- Where a local authority is unable to secure a **first charge** on the person's property
- Where a person is seeking to pay a **top up** and/or
- Where a person **does not agree to the terms and conditions** of the agreement, for example a requirement to insure and maintain the property.
- Where a person does not have the **mental capacity** to agree to a deferred payment agreement or have a legally appointed agent willing to agree

Interest

From April 1st 2015 interest is chargeable from the start of the agreement and must not exceed the maximum amount specified in regulations.

The interest charged is based on the Gilt rate plus 0.15%. This is reviewed twice a year and applies from 1st Jan – 30th June and 1st July – 31st Dec each year.

Interest will be added on a compound basis and continue to accrue on the amount deferred even if the equity limit is reached. It will also apply during breaks in care / and after death, until the deferred amount is repaid.

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Equity Limit

The amount that can be deferred will depend on the value of a property, this determines an 'equity limit' which is calculated as follows: Property's current market value (CMV), less 10% of CMV, minus £14,250 and the amount of any encumbrance secured on it.

Termination

A deferred payment can be repaid at any time. Partial repayments may also be made. The executor of an estate should arrange repayment of the money owed to the Local Authority, this will usually need to be done within 90 days. Interest continues to accrue until the deferred amount is repaid.

Local authorities may require a contribution towards care costs from a person's income, but the person has a right to retain a proportion of their income (the 'disposable income allowance'). The disposable income allowance is a fixed amount of a person's income which they must be able to retain. It can require the person to contribute the rest of their income, but must allow the person to retain as much of their disposable income allowance as they want to.

If you would like help to understand what the Council will pay and how they charge please make an appointment for a Care Funding and Benefit Check

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