

Factsheet 38

Property and paying for residential care

August 2025

About this factsheet

This factsheet explains how your property is treated in the local authority financial assessment if you go to live permanently in a residential care home. It covers the possibility of delaying the sale of your home to pay care fees via a deferred payment agreement.

Other factsheets cover different aspects of the charging system if you are placed by a local authority, for example Age UK factsheet 10, *Paying for permanent residential care*. Age UK factsheet 58, *Paying for short-term and temporary care in a care home*, covers temporary and short-term circumstances such as respite care.

The information in this factsheet is correct for the period August 2025 to July 2026, but rules and figures sometimes change during the year.

The information in this factsheet is applicable in England. If you are in Scotland, Wales or Northern Ireland, please contact Age Scotland, Age Cymru or Age NI. Contact details can be found at the back of this factsheet.

Contact details for any organisation mentioned in this factsheet can be found in the *Useful organisations* section.

Contents

1	Sources and terms used in this factsheet	4
2	Property and the financial assessment	5
2.1	Local authority arranged residential care	5
2.2	Self-funding residential care	6
3	Ownership of property	6
4	Giving away property and deprivation	7
5	Disregarded property	7
5.1	Mandatory disregards	7
5.2	Circumstances where it may be unclear	8
5.3	Discretion to disregard	8
5.4	The 12-week property disregard	9
5.5	Moving from a disregarded property	10
6	Valuation of property	11
6.1	Valuation of jointly owned property	11
7	Park/mobile homes	13
8	Deferred payment agreements	14
8.1	The eligibility criteria	14
8.2	Local authority discretion to agree	15
8.3	Estimating care costs and top-ups	16
8.4	How much can be deferred?	16
8.5	Sustainability of the arrangement	17
8.6	Obtaining adequate security	18
8.7	Property valuation	19
8.8	Financial contributions from other sources	19
8.9	Disposable Income Allowance	20
8.10	Interest and administration charges	20
8.11	Your written agreement and its contents	21
8.12	Responsibilities while the agreement is in place	23

8.13	Local authority powers to stop deferring costs	23
8.14	Termination of agreement	24
8.15	A ' <i>loan type</i> ' deferred payment agreement	25
9	Information, advice and advocacy duty	25
9.1	The independent advocacy duty	26
10	Challenging local authority decisions	27
11	Pension Credit and property	27
	Useful organisations	28
	Age UK	29
	Support our work	29

1 Sources and terms used in this factsheet

Care Act 2014, regulations and statutory guidance

This factsheet is based on the *Care Act 2014* ('the Act'), its supporting regulations and the *Care and Support Statutory Guidance* ('the guidance'), introduced in April 2015.

Relevant sections of the guidance include chapter 8 '*Charging and financial assessment*', chapter 9 '*Deferred payments agreements*', annex B on treatment of capital, and annex C on treatment of income.

Relevant regulations include:

- the *Care and Support (Charging and Assessment of Resources) Regulations 2014* ('the charging regulations') and
- the *Care and Support (Deferred Payments) Regulations 2014* ('the deferred payments regulations').

The Act, guidance and regulations are mentioned in the text and set out in detail how a local authority must administer adult social care.

Care homes and nursing homes

This factsheet provides information about residential care, meaning '*care homes*' and '*nursing homes*'. These are the two standard terms used by the Care Quality Commission.

Nursing homes are care homes where a nurse must be present to provide or supervise medical-type care alongside basic personal care.

The term '*care home*' is used in the text to cover both homes, unless '*nursing home*' is specifically required.

Local authority

In this factsheet, references to a '*local authority*' means the adult social services or social care department of the local authority or council.

It is used to describe similar departments within: a county council, a district council for an area in which there is no county council, a London borough council, or the Common Council of the City of London.

Point of law

Age UK cannot advise on property or trusts law, so information in this factsheet about property valuation and ownership covers general principles and is not definitive legal advice.

It may be necessary to obtain expert legal advice if you wish to dispute a local authority valuation.

2 Property and the financial assessment

2.1 Local authority arranged residential care

If you ask for local authority support to arrange residential care, they should carry out a needs assessment. Following the assessment, they decide if you meet the eligibility criteria and if residential care is the best way to meet your needs. They must consider all other options that might allow you to remain at home. The care home recommendation must be in a care and support plan agreed with you.

A financial assessment is made to see if you qualify for funding towards the cost of your care. Your income and capital are taken into account, although some can be disregarded. Capital includes savings, investments, and property. Income includes private pensions and social security benefits. You do not qualify for funding if you have more than £23,250 in capital, or an income high enough to meet the necessary cost of your care. This is called being a *'self-funder'*.

The local authority has a legal duty to ensure your eligible needs are met if you are entitled to local authority funding following the financial assessment. The local authority must also ensure your eligible needs are met if you do not qualify for funding but cannot arrange care for yourself and have no one who is willing and able to do it for you.

If the local authority is meeting your needs, it must involve you in preparing a care and support plan and set a *'personal budget'* sufficient to meet your eligible needs in at least one suitable care home. For information about the needs assessment, see Age UK factsheet 41, *How to get care and support*.

Ownership of property

For the value of a property to be included in the financial assessment, you must be shown to have a share in its value, called a *'beneficial interest'*. This means you have the right to a share of the sale proceeds if sold. This is different to legal ownership of property. See section 3.

Disregarded property

Your beneficial interest in a property can be disregarded in the financial assessment in certain circumstances. For example, if it is your former home and your partner still lives there. There is a 12-week disregard for your main or only home from the day you first become a permanent care home resident, giving you time to decide how to use your property to pay care fees. In other circumstances, the local authority has a discretion to disregard property. See section 5 for more information.

Property in the form of business assets should be disregarded for a reasonable period while you take steps to realise their value. See section 5.2 of Age UK factsheet 10, *Paying for permanent residential care*, for more information.

Valuation of property

Unless disregarded, the value of any beneficial interest in property is taken into account and must be appropriately valued in your financial assessment, see section 6. If more than one person has a beneficial interest, it must be valued as a jointly owned property, see section 6.1.

Deferred payment agreement

You may delay selling your property to pay care fees by entering into a deferred payment agreement with the local authority, see section 8.

2.2 Self-funding residential care

You may be a self-funder from when you first enter a care home, or only after the 12-week property disregard period has ended. If you receive local authority funding during the 12-week disregard period, it is likely the authority's contract with the care home will end when the 12 weeks expire, unless you enter into a deferred payment agreement. You usually must make your own contract as a self-funder subsequently, see Age UK factsheet 29, *Finding, choosing and funding a care home*.

Being a self-funder does not, by itself, mean you should be expected to make your own care arrangements. If you are unable to make your own arrangements and have no one willing and able to do so on your behalf, the local authority should make the arrangements for you.

3 Ownership of property

There is legal and beneficial ownership of property, with most people having both. You have a beneficial interest if you are entitled to a share of the proceeds of its sale. The value of this interest can be taken into account in the local authority financial assessment.

If you contribute towards the purchase price of a property, or otherwise contribute towards its maintenance and upkeep later on, you may have established a beneficial interest in the property, even if it is legally owned by someone else.

If the beneficial interests in a property are disputed, it may be necessary to consult a solicitor. If more than one person has a beneficial interest, a property is valued as if it is jointly owned, see section 6.1.

If a property was purchased under the 'right to buy' scheme at a discount, the person who attracted the discount may be treated as having a beneficial interest in the property, even if they did not contribute towards the purchase.

Age UK is not able to offer advice on property law or on questions of property ownership or valuations – you need to seek specialist legal advice from a qualified solicitor if you require in-depth advice. See Age UK factsheet 43, *Getting legal and financial advice*, for more information on instructing a solicitor.

4 Giving away property and deprivation

It may seem a good idea to transfer property out of your name, for example to your children or a trust, so you do not have to use its value to meet your care costs. Caution is strongly advised before taking this action. If your property would have been included in the financial assessment, and the local authority thinks you deliberately transferred it to avoid care costs, it can financially assess you as though you still have it. For more information, see Age UK factsheet 40, *Deprivation of assets in social care*.

5 Disregarded property

5.1 Mandatory disregards

If you enter a care home permanently, the value of your interest in your existing '*main or only*' home is usually taken into account as capital. However, the value should be disregarded from the financial assessment if you no longer occupy the home but it is still occupied, in part or whole, as their main or only home by:

- your spouse, partner, former partner, or civil partner, except where you are estranged
- a lone parent who is your estranged or divorced partner
- a relative of yours, or member of your family, who is:
 - aged 60 or over, or
 - a child of yours aged under 18, or
 - '*incapacitated*'.

They must have been occupying the property before you went into the care home. The disregard lasts until the situation changes, at which time it may be included in the financial assessment.

What '*occupy*' means

It is usually obvious if a property is occupied by a qualifying relative as their main or only home. However, this may not be clear in some cases, see section 5.2. The guidance states that an emotional attachment to a property is not sufficient for the disregard to apply.

What '*relative*' means

A relative is defined as including: (a) parent (including an adoptive parent); (b) parent-in-law; (c) son (including an adoptive son); (d) son-in-law; (e) daughter (including an adoptive daughter); (f) daughter-in-law; (g) step-parent; (h) step-son; (i) step-daughter; (j) brother; (k) sister; (l) grandparent; (m) grandchild; (n) uncle; (o) aunt; (p) nephew; (q) niece; (r) or the spouse, civil partner or unmarried partner of (a) to (k) inclusive.

What 'incapacitated' means

Under the guidance, someone is 'incapacitated' if they receive any of these benefits: Armed Forces Independence Payment, Attendance Allowance, Constant Attendance Allowance, Disability Living Allowance, Incapacity Benefit, Personal Independence Payment, Severe Disablement Allowance, or a similar benefit.

If they do not receive these benefits but their degree of incapacity is equivalent to that required to qualify for such a benefit, they also qualify. Medical or other evidence may be needed for a decision in this case.

5.2 Circumstances where it may be unclear

It may be unclear if a qualifying relative occupies your main or only home if, for example, they partly live elsewhere for employment as a member of the armed forces or diplomatic services. Whilst they live elsewhere to undertake employment, the property remains their main or only home.

The qualifying relative is therefore occupying the property but is not physically present out of necessity. A local authority should take account of the individual circumstances of each case and be able to give reasons for its final decision.

Statutory guidance has a list of factors to consider:

- Do they currently occupy another property?
- If they have somewhere else to live, do they own or rent the property?
- If they are not physically present, is there evidence of a firm intention to return to or live in the property?
- Where do they pay council tax?
- Where are they registered to vote?
- Where are they registered with a doctor?
- Are their belongings located in the property?
- Is there evidence they have a physical connection with the property?

5.3 Discretion to disregard

A local authority has discretion to disregard the value of your property if someone living there does not qualify for a mandatory disregard. It does not have to exercise this power but should give full consideration to a request to do so. An example in the guidance is:

Jayne has the early signs of dementia but wishes to continue living in her own home. She is not assessed as having eligible needs, but would benefit from some occasional support. Her best friend Penny gives up her own home to move in with Jayne. At this point, there is no suggestion that Jayne may need care in a care home.

After 5 years Jayne's dementia has reached the point where she needs a far greater level of care and support and following an assessment, it is agreed her needs would best be met in a care home. On moving into the care home, the local authority uses its discretion to apply the property disregard as this has now become Penny's main or only home.

After you enter the care home

If a relative moves into your property after you enter a care home, the guidance tells authorities to consider all relevant factors about why this has happened. They have discretion to disregard the value of a property to avoid the risk of certain people becoming homeless. They must consider all facts and explanations for actions before deciding how to act. However, the guidance advises this discretion should not be exercised if the move is solely to protect a family inheritance.

5.4 The 12-week property disregard

The local authority must disregard the value of your property in the financial assessment for the first 12 weeks of your permanent care home placement. If the property is sold in the 12-week period, the disregard ceases to apply from the date of sale and the proceeds are counted as capital. You can consider arranging a deferred payment agreement during this time to ensure a smooth transition after 12 weeks.

If your stay was initially temporary, the 12 weeks run from the date it is decided your care home place becomes permanent.

Other circumstances

A local authority must allow a 12-week disregard if another property disregard ends, because a previously qualifying relative dies, or moves into a care home. This is to give you time to make new arrangements regarding the property.

Additionally, the local authority has discretion to choose to apply a disregard if there is a sudden and unexpected change in your financial circumstances. In deciding this, they must consider your individual circumstances. The guidance mentions a fall in share prices or an unanticipated debt and provides an example:

Harry is a widower who owns his own home. Ten months ago he moved into a care home as a self-funder. He has been meeting the bulk of his costs from shares he received as part of his redundancy package. Due to an unexpected event, the value of his shares is suddenly reduced by half, meaning he is unable to meet the cost of his care.

Although already in a care home and likely to remain responsible for paying for this care, Harry approaches the local authority for assistance and to seek a Deferred Payment Agreement.

During the financial assessment the local authority agrees that the circumstances could not have been foreseen and uses its discretion to disregard the value of his property for the first 12 weeks. This provides Harry with the space he needs to make arrangements for the Deferred Payment Agreement to be put in place and enable him to continue to meet the cost of his care.

Top-up and the 12-week property disregard

During the 12-week property disregard period, you can top-up additional residential care payments from your own resources, subject to the local authority agreeing. A top-up applies where you choose to enter a care home costing more than your personal budget. For more information, see Age UK factsheet 29, *Finding, choosing and funding a care home*.

5.5 Moving from a disregarded property

If your spouse, partner, or other relative lives in a disregarded property, they may decide to move somewhere smaller or more manageable. The existing disregard only applies to your original property and once it is sold, your share of the proceeds of sale can be taken fully into account as capital in your financial assessment.

Annex E of the guidance has an example of a local authority disregarding part of the proceeds of sale to meet a partner's downsizing need:

Max has moved into a care home and has a 50% interest in a property that continues to be occupied by his civil partner, David. The value of the property is disregarded whilst David lives there, but he decides to move to a smaller property that he can better manage and so sells their shared home to fund this.

At the time the property is sold, Max's 50% share of the proceeds could be taken into account in the financial assessment, but, in order to ensure that David is able to purchase the smaller property, Max makes part of his share of the proceeds from the sale available. In such circumstance, it would not be reasonable to treat Max as having deprived himself of capital in order to reduce his care home charges.

This should apply to married, unmarried and civil partners. The authority also has discretion to treat relatives in the same way.

Once a new property is purchased, any remaining sale proceeds will usually be included as capital in your financial assessment.

The authority can use its discretion to disregard sale proceeds in other situations, for example to help your partner secure rented accommodation, and must consider your individual request.

If you pass on any sale proceeds to someone else and the authority conclude you did this to avoid care costs, they can financially assess you as if you still possessed the money, see section 4 for more information.

6 Valuation of property

If the value of a property is taken into account in your financial assessment, it is at its present market value, less any mortgage or loan secured on it and less 10 per cent where there would be expenses involved in selling it. The valuation should be undertaken by a professional valuer who must provide a current market valuation.

The 10 per cent rule is only for calculating the value of a property before its sale. Once your property is sold, you are treated as having the actual share of the sale proceeds you are entitled to, after any secured debts and the actual expenses of sale have been paid.

When a precise valuation is not needed

If you and the financial assessor agree that, after deducting any relevant amounts, the total value of your capital, including your property, is significantly more than the upper capital limit of £23,250, it is not necessary to obtain a precise valuation. However, the local authority should bear in mind how close you are to the upper capital limit when deciding whether to obtain a precise valuation and tell you about options such as a deferred payment agreement.

Disputes over valuation

If there is a dispute over the value of your property, the guidance says the local authority should try to obtain an independent valuation within the 12-week property disregard period (see section 5.4).

The aim should be to resolve this as quickly as possible, so the local authority can work out what charges you should have to pay, and to enable you to consider whether to seek a deferred payment agreement.

6.1 Valuation of jointly owned property

The value of most jointly owned assets is calculated by dividing the overall value of the asset by the number of owners, unless their shares are unequal. Thus, if there are two owners of an asset, the value for one owner is calculated as if they own 50 per cent of it. For three owners, each individual owner is apportioned 33 per cent of the total value.

The rules on jointly owned property and land work differently. In these cases, it is the '*beneficial interest*' of each owner that should be taken into account. Beneficial interest means your right to the proceeds of sale.

The charging regulations say that '*land*' is an exception to treating each owner of a capital asset as having an equal share in its value. Under property law, the definition of '*land*' includes '*buildings and parts of buildings*'.

If you jointly own property, it is your individual beneficial interest in the property that should be taken into account and valued in the financial assessment, not the value of the property as a whole.

This means the local authority must base its valuation on the sale value of your beneficial interest to a ‘willing buyer’, on the open market, at the time of your financial assessment.

They should not simply assess the value of your property as a whole (or equivalent properties), divide up the shares owned and say this is the true value of your beneficial interest. The value of your beneficial interest depends on how attractive it is to purchase. This can include a nil value.

The joint property ownership trust purpose

When property is jointly owned, it is owned in trust in legal terms – each owner holds it in trust for the other owners. The value of your beneficial interest in a jointly owned property can depend on the ability of a willing buyer to realise its value. This relates to their potential ability to apply to a Court to enforce sale of the whole property.

If faced with an enforced sale request, a Court must have regard to section 15 of the *Trusts of Land and Appointment of Trustees Act 1996*, which requires the following considerations:

- the intentions of the persons (if any) who created the trust [jointly owned property] at the date of purchase of the home
- the purposes for which the property subject to the trust is held.

These relate to the purpose for which the trust was set up. Whether that purpose still exists at the time of your financial assessment is an important factor in the valuation of your beneficial interest.

This is because it may create an impediment to an intended enforced sale once purchased by a willing buyer. The following two legal cases provide some guidance on this point, although they reach different conclusions in each case.

Palfrey case

In the case of *Chief Adjudication Officer v Palfrey [1995] 11LS Gaz R39, [1995] Times, 17 February*, Mr Palfrey, a joint property owner, had gone into residential care and a question arose about how his share in the family home should be valued when assessing entitlement to the social security benefit, Income Support. The house had been acquired by him and his daughter as beneficial joint tenants.

The Judge ruled that, although Mr Palfrey was no longer present, where a capital asset is a jointly owned property held for the purpose of accommodating the joint owners and that purpose is on-going, the sale of the house could not be enforced.

Mr Palfrey’s beneficial interest might at that time only have a nominal value. Based on this reasoning, the ongoing purpose would disappear if the joint owner vacated the property at some future point.

Wilkinson case

In the case of *Wilkinson v CAO [2000] EWCA civ 88*, the purpose of a gift of property was not to provide a family home. Mrs Wilkinson's share in a jointly owned property came to her as an inheritance on her mother's death. It was an absolute gift to Mrs Wilkinson and her brother, in equal shares, with no restriction or other intended purpose.

The Judges decided by majority that a sale of the whole property could subsequently be enforced, thus creating a market value for Mrs Wilkinson's beneficial interest.

Legal advice

You may need legal advice if you are told that your beneficial property interest has a value for the following reasons:

- the local authority takes the value of your property and divides it by the number of joint owners
- the local authority offers to be the willing buyer, or
- any willing buyer would be able to force a sale.

See Age UK factsheet 43, *Getting legal and financial advice*, for more information.

7 Park/mobile homes

It is not always clear whether park or mobile homes should be included in the financial assessment. A park or mobile home may be regarded as a property, or a personal possession. Personal possessions (chattel) cannot be included in the assessment, provided eligible capital is not used to purchase them to avoid care costs.

There is a spectrum of ownership status from long-term lease to a license, which is like rental. Other aspects include the landlord's right of entry. There may be other issues, for example the division of ownership between the park or mobile home itself and the ground it stands upon. For more information, see Age UK factsheet 71, *Park homes*.

Social security case

In the case of *R(H) 7/08*, the Social Security Commissioner considered whether a caravan is capital and, if so, whether its value must be disregarded as a personal possession under the rules for means tested benefits.

The Commissioner determined that whilst a caravan is capital, it is a personal possession and its value is therefore disregarded. This includes a caravan that is static unit on a fixed pitch. As benefit and social care financial assessment rules are similar, it can be argued that the local authority should take the same approach and disregard a park or mobile home as a personal possession.

8 Deferred payment agreements

A deferred payment agreement (DPA) is meant to ensure you are not forced to sell your home in your lifetime if you need to pay for residential care. By entering into a DPA, you delay paying care costs from your property until a later date, usually by having a legal charge placed on your property by the local authority.

A DPA can be used either to defer costs until after your death, or as a '*bridging loan*' to allow time to sell a property to pay care fees. You effectively borrow money towards your care home fees. The local authority must offer you a DPA if you meet the eligibility criteria and has discretion to do so if the criteria are not met.

Payment is deferred, not '*written off*' – your care home costs must be repaid by you (or a third party on your behalf) at a later date. You can be charged administration costs and interest on the accruing amount.

You must be given appropriate information on your care funding options, how deferred payments work, and the consequences of making an agreement. It is advisable to seek independent financial advice before proceeding with a DPA, to ensure it is the best option for you.

A DPA is always a choice, they cannot be forced upon you. If you want a DPA, the authority must decide if you meet the eligibility criteria.

8.1 The eligibility criteria

The local authority must offer you a DPA if you meet all the following criteria:

- the local authority agree you have care needs that should be met through a care home placement, and
- you have a legal or beneficial interest in a property that is your '*main or only home*', and
- you have less than or equal to £23,250 in capital, excluding your share in the value of your home, and
- your home is not disregarded in the financial assessment; and
- you agree to the conditions in the deferred payment agreement.

You must be able to provide adequate security, so the authority are confident you can repay in the future. They must accept a first legal charge against your home on the Land Register as adequate security. If you cannot provide this, they have discretion to accept other forms of security (see section 8.6). They must discuss the option of a DPA with you if you meet the eligibility criteria.

The authority has a power to refuse a DPA once it has considered your situation. This can be, for example, if it is unable to secure a first charge on your property, or you do not agree to the terms and conditions of the agreement.

Mental capacity

If you lack mental capacity to agree to a DPA, someone with authority to act your behalf can do so, for example a Lasting Power of Attorney for financial decisions, or a deputy for property and financial affairs appointed by the Court of Protection. They must decide whether a DPA is in your *'best interests'*, in line with the *Mental Capacity Act 2005*.

Self-funders

If you self-fund your care home place, the local authority has a duty to offer you a DPA, if you meet the criteria above. You effectively take out a loan as a self-funder (see section 8.15). They must agree a care home place is a suitable option to meet your needs, even if they have not carried out a needs assessment.

This does not mean they are under a duty to help you arrange and manage your contract with the care home, unless you lack capacity and have no-one else who can help you with this.

Supported living accommodation

A local authority has discretion to enter into a DPA if you move into supported living accommodation, such as *'sheltered housing'*, *'extra care sheltered housing'* or *'warden controlled accommodation'*.

You cannot arrange a DPA to finance mortgage payments in this accommodation. See Age UK factsheet 64, *Specialist housing for older people*, for more information.

8.2 Local authority discretion to agree

Local authorities can choose to offer a DPA if you do not meet all the criteria in section 8.1 (although they must agree you require a care home place or supported living accommodation regardless).

They can take into account:

- whether meeting care costs leaves you with very few accessible assets, including assets which cannot quickly or easily be converted to cash
- if you would like to use funds tied up in your home to fund more than just your core care costs and purchase affordable top-ups
- whether you have any other accessible means to help you meet the cost of your care and support
- if you are narrowly not eligible, for example, assets are slightly too high.

As this is a discretionary decision, the authority does not have to agree to a DPA, but they must consider your request properly.

If you are refused a discretionary DPA, you can challenge this decision through a formal complaint. See section 10 for information about making a complaint.

8.3 Estimating care costs and top-ups

Before considering in detail how much can be deferred, you and the local authority should calculate a rough idea of likely care costs. You may wish to vary your care package, or any top-ups you are considering, following consideration of what you can afford within a DPA. Approach the process with an approximate idea of what your care costs are likely to be.

As a minimum, the local authority must allow you to defer your 'core' care costs - that is, the cost the local authority considers is necessary to meet your eligible needs. It can consider a request for a top-up to be included in the deferred payment, whilst retaining discretion over whether to agree in a specific case. However, it should accept any top-up deemed to be reasonable given considerations of affordability, sustainability, and available equity.

8.4 How much can be deferred?

By entering into a DPA, a local authority agrees to defer:

- the payment of charges from you to them for the costs of meeting needs in a care home or supported living accommodation, or
- the repayment of a loan to you in instalments to cover the costs of care and support in a care home or supported living accommodation.

In principle, the amount that can be deferred should be capable of covering the whole of your care costs, subject to any contribution the local authority can require from your income (see section 8.9). They must ensure you can provide adequate security for the DPA, usually in the form of your property, before they agree to the arrangement.

If you consider a top-up to enter a higher cost care home, they should consider whether the amount of the deferral requested is sustainable, given the equity available from your chosen form of security. Three elements dictate how much you can defer:

- amount of equity (value) available in your chosen form of security
- amount you contribute to care costs from other sources, including income, savings, financial products, or a third-party, and
- total care costs you face, including any top-ups you are seeking.

The equity limit

Your equity is the amount of money available from your chosen form of security. The local authority must set out an '*equity limit*' which is the total amount that can be deferred and ensure the amount that is actually deferred does not rise above this. The equity limit can vary over time.

If the DPA is secured against a property, the equity limit should be set at the value of the property minus ten per cent, minus the amount of any encumbrances (legal claims by another party) already secured on it, for example a mortgage, and minus £14,250.

The equity limit calculation must ensure there is a buffer to cover subsequent interest accruals and provide a small '*cushion*' in case of variations in the value of your chosen security, for example a fall in house prices. When calculating progress towards the equity limit, the local authority must include interest accrued and fees to be deferred.

Local authorities must not allow additional amounts to be deferred beyond the equity limit and must refuse to defer care costs beyond this.

However, interest can accrue beyond this point and administrative charges can be deferred. Once the DPA is terminated, the full amount due, including any interest and administration charges, must be paid to the local authority (see section 8.14).

The equity limit review trigger

When 70 per cent of the value of your security is deferred, the authority should review the cost of your care. They should discuss when you might be eligible for financially assessed support from them, the implications for current top-up payments, and consider if a DPA is still the best way to meet these costs.

8.5 Sustainability of the arrangement

When deciding on the amount to be deferred in a DPA (particularly when considering top-ups), you and the local authority should consider a range of factors to ensure an arrangement is sustainable.

These include the:

- likely period you want a DPA for (if intended for use as a '*bridging loan*')
- equity available
- sustainability of your contribution from savings, if you make one
- flexibility to meet future care needs, and
- period of time you are able to defer your care costs for.

The local authority should discuss with you the predicted limit of what your equity could cover, given your projected care costs and how they might change over time.

Consider how long any contribution from your savings can last. This includes consideration of the impact on your care if your savings are depleted (normally this involves increasing the amount deferred).

An important factor in the sustainability of a DPA is the future care and support needs you may face. A local authority should consider the possible escalations of your needs, in deciding how much you can defer.

When agreement is reached as to how much you want to defer, they must ensure this is clearly and unambiguously set out in your DPA.

8.6 Obtaining adequate security

You must be able to provide adequate security to enter into a DPA with the local authority. The amount of money available must be able to cover your estimated future care costs, interest charges throughout, and any administration fees.

One form of security is when the local authority secures a '*first legal mortgage*' charge against a property on the Land Registry. This type of security *must* be accepted by the local authority as adequate security, whereas other forms of security *may* be accepted. A '*charge*' is like a mortgage, where another party has a right to the proceeds of sale to cover an outstanding unpaid debt, with the information placed in Land Registry documents. If you have an existing mortgage, check with your lender whether they will allow a DPA to be secured against the property.

For jointly-owned property, local authorities must seek the consent and agreement of all joint owners to a charge being placed on the property. All the owners need to be signatories to the DPA. The co-owners must agree not to object to the sale of the property for the purpose of repaying the debt to the local authority, in the same way as for sole owners.

Joint owners and Lasting Power of Attorney

If you are a joint owner of a property and you are also acting as Lasting Power of Attorney for the other joint owner, you may not be able to act in both capacities to consent to the DPA legal charge. Age UK understands that Land Registry rules require two separate individuals to act in the two capacities.

This can be avoided if there is another attorney, appointed to act jointly and severally, to act independently of you. Otherwise, you may need to appoint your own attorney to act for you in respect of the legal charge. Alternatively, another trustee may need to be appointed.

If you are in this situation, seek advice from the Land Registry in the first instance. However, you may also need to seek specialist legal advice.

What else may constitute '*adequate security*'?

A local authority must consider if another type of security can be provided if they cannot secure a first legal charge on your property. The guidance requires publication of a publicly-accessible policy setting out other types of security it will consider. Examples include:

- third-party guarantor, subject to the guarantor offering an appropriate form of security
- solicitor's undertaking letter
- valuable object such as a painting or other piece of art, or
- agreement to repay deferred amount from proceeds of life assurance policy.

The security should be revalued when the amount deferred equals or exceeds 50 per cent of the value of the security to assess any potential change in its value and consequently your '*equity limit*' should be reassessed. After this revaluation, the local authority should revalue the security periodically to monitor potential further changes in value. If there is a substantial change, they should review the amount being deferred.

8.7 Property valuation

If you intend to secure your DPA with a property, the local authority must obtain a valuation. You can request an independent assessment of your property's value (as well as the local authority valuation).

If an independent assessment finds a substantially different value to the local authority's valuation, you should discuss this and agree an appropriate valuation prior to proceeding with the agreement.

8.8 Financial contributions from other sources

The share of care costs you defer depends on the amount you pay from other sources. The local authority can require you to pay a contribution for ongoing costs from income such as pensions or rental income but must allow you to keep a Disposable Income Allowance, see section 8.9 for more information.

You can contribute from other sources if you wish. For example, you might decide to contribute from savings or other assets, or through a financial product designed to pay for long-term care. A third party, such as a relative or friend, might be willing and able to pay some of your ongoing costs.

Paying a contribution from these sources can be beneficial as it reduces the amount deferred and your overall debt to the local authority. However, the local authority cannot require you to do so.

Renting out your property

If you rent out your property during the course of a DPA, the local authority should allow you to retain a percentage of rental income. The local authority may offer other incentives to encourage rental of properties.

It is advisable to get independent financial advice, for example about possible tax and welfare benefits implications. Speak to a letting agent to find out what the local rental market is like before making the decision.

You must consider the practical requirements involved such as security, maintenance, insurance, and the possibility of periods when your property may be empty.

8.9 Disposable Income Allowance

The local authority can require a contribution towards care costs from your income, but must allow you to keep a proportion, called the Disposable Income Allowance (DIA). The DIA is up to £144 a week. The local authority can require you to contribute the rest of your income but must allow you to retain as much of your DIA as you want.

8.10 Interest and administration charges

Administration charges and interest can be added to the total amount deferred as they accrue, although you can request to pay these separately. The DPA must make clear that all fees deferred and any interest and administrative charges incurred must be repaid by you in full. The local authority must notify you in writing whenever you are liable for an administration charge.

The interest rate

The local authority must inform you before making the agreement whether interest will be charged, what the interest rate is currently set at, and when it is likely to change. If interest is charged, it must not exceed the national maximum rate published by the Government. This changes every six months, on 1st January and 1st July.

The local authority must ensure any change to the national maximum rate is applied to your DPA agreement, unless it charges less than the national maximum. Your agreement must contain a term ensuring that the interest rate does not exceed the national maximum.

Compound interest

A local authority must ensure you understand that interest charged accrues in a compound way, if it is to be added to the deferred amount. You can ask the authority to allow you to pay the interest separately, on an ongoing basis, to avoid it being compounded.

Compound interest works by charging interest against the fees you have deferred, as well as the interest that has already accrued. The local authority can choose how frequently it applies the interest calculation. It can compound interest on a daily, weekly, fortnightly, four-weekly, or monthly basis. This must be agreed at the outset as part of your DPA contract.

It is important to understand how compound interest is charged in your DPA. Ask the local authority to give an example, to illustrate how this works in practice.

Interest can accrue on the amount deferred, even if you reach the '*equity limit*'. It can accrue after someone has died until the deferred amount is repaid to the local authority. If a local authority cannot recover the accrued debt and seeks to pursue this through the County Court system, it may charge the higher County Court rate of interest.

The administration charge

The local authority must set its administration charges at a reasonable level. This must not be more than the actual costs it incurs for providing a DPA scheme.

The guidance provides details of the types of administrative costs that can be included:

- registering a legal charge with the Land Registry against the title of your property, including Land Registry search charges and identity checks
- relevant postage, printing and telecommunications
- costs of time spent by those providing the service
- cost of valuation and re-valuation of your property
- costs for removal of charges against your property
- overheads, including, where appropriate, (shares of) payroll, audit, management costs, legal service.

The local authority should maintain a publicly available list of all the administration charges you may be liable to pay.

8.11 Your written agreement and its contents

If you choose to enter into a DPA, the local authority should aim to have the agreement finalised and in place by the end of the 12-week property disregard period, or within 12 weeks of approaching the local authority in other circumstances.

Decisions on your care and support package, the amount you intend to defer, the security you intend to use, and the terms of your agreement should only be taken following discussion between you and the local authority. Once an agreement in principle has been reached, it is the local authority's responsibility to write the details agreed into your DPA, taking the legal form of a contract between you and the local authority.

The local authority should provide you with a hard copy of your DPA and you must be given reasonable time to read and consider it, including time to query any clauses and to further discuss the agreement if necessary. The DPA must clearly set out all terms, conditions, and information necessary to enable you to understand your rights and obligations under it. This must include (see overleaf for more):

- a clear explanation of the consequences of taking out a DPA for you and your property, including anybody who lives in the property
- the equity limit (the amount you can defer) of your security and the scope for this to change upon its possible revaluation
- how interest is calculated and whether it is compound interest
- administrative costs you are liable for, the value of accrued costs, and where possible, a breakdown of the calculation

- how to end the DPA, including the process, consequences and notice period
- the circumstances when the local authority may refuse to defer fees
- how the local authority is securing the debt
- a requirement for the authority to provide a written statement every six months or within 28 days of request, saying how much is owed and the cost of repaying the debt
- that the local authority must give 30 days' written notice of the date on which you are likely to reach your equity limit
- that you need to obtain the consent of the local authority for any person to occupy your deferred property
- an explanation that the authority will stop deferring charges or making loan advances if you stop receiving care in a care home or supported living accommodation, or if it no longer considers your needs should be met in such accommodation
- the means of redress if either party feels the other has broken the DPA terms
- your responsibilities regarding maintenance and insurance of your home
- your responsibility to notify the local authority of any change to your income, home or care and support
- your responsibility to notify the local authority if you intend to rent or sell your property and if someone has gained or may gain a beneficial interest in your property
- the local authority's responsibility to give you 30 days written notice if it intends to cease to defer charges, or make loan instalments
- the process for varying any part of the agreement, and
- the process by which the local authority can require a re-valuation of your chosen form of security.

DPA's are subject to the *Unfair Terms in Consumer Contracts Regulations 1999* and the *Consumer Protection from Unfair Trading Regulations 2008*. This means the terms must be written in plain, intelligible English and will not be binding if they are unfair to you.

8.12 Responsibilities while the agreement is in place

The DPA sets out various contractual requirements, both on you and the local authority. The guidance states the local authority must, at a minimum, provide you with six-monthly written updates of the amount of fees deferred, interest and administrative charges accrued and the total amount due and equity remaining.

The local authority should provide you with a statement on request within 28 days. This should set out the amount deferred during the previous period, as well as the total amount deferred to date. It must also include a projection of how quickly you might deplete all equity remaining in your chosen form of security, up to your equity limit.

It should reassess the value of your chosen form of security once the amount deferred exceeds 50 per cent of the security (and periodically thereafter) and adjust the equity limit and review the amount deferred if the value changes. If the local authority exercises the right to require you to make contributions from your income, it should include provisions requiring you to notify the local authority of any changes in your income.

The agreement should contain provisions requiring you to notify the local authority of changes in your need for care and support, if those changes mean the authority must, or is entitled to stop, making further instalments under the agreement, or to alter the amount of instalments.

The agreement should require you to ensure appropriate regular maintenance arrangements for your home are made whilst you are in residential care. They can require you to have adequate insurance for your property. If your home is empty for an extended period of time, you must ensure your insurance covers this adequately and any terms required by the insurer are met.

The agreement must require you to obtain the authority's consent before allowing someone to move into your property after the agreement has been made. In these circumstances, the local authority may (if it is reasonable to do so) require written consent from you placing the debt owed to the local authority above any beneficial interest another person may obtain in your property.

8.13 Local authority powers to stop deferring costs

Examples in the guidance of when a local authority may refuse to defer more charges when an active DPA in place include:

- your total assets, including your property, fall below the upper capital threshold (£23,250) and you become eligible for local authority funding
- you no longer need care in a care home/support living accommodation
- you breach the agreed terms of your DPA, or
- your property becomes disregarded in your financial assessment for any reason and you now qualify for local authority funding.

Notice period and support

The local authority should give a minimum 30 days' notice that further deferrals will cease and give you an indication of how your care costs will be met in future. Depending on your circumstances, you may receive local authority funding or be required to meet the full costs yourself. Local authorities exercising the power to stop deferring costs should take your circumstances into account and their overarching duties under the Act's wellbeing principle when making a decision.

8.14 Termination of agreement

A DPA can be terminated in three ways:

1. at any time by you, or someone acting on your behalf, repaying the full amount due
2. when your property (or security) is sold and the authority is repaid, or
3. you die and the amount is repaid to the local authority from your estate.

On termination, the full amount due (including care costs, interest accrued and administrative or legal fees) must be repaid.

If you decide to sell your home, you should notify the local authority during the sale process. You must pay the amount due to the local authority from the proceeds of the sale and the local authority is required to relinquish the charge on your property.

You may decide to repay the amount due from another source, or a third party may elect to repay the amount due on your behalf. In either case, the local authority should be notified of the intention in writing and they must relinquish the charge on the property on receipt of the full amount.

If DPA ends due to death

If your DPA is terminated due to your death, the amount due to the local authority must either be paid out of your estate or by a third party. Your family or a third party may wish to settle the debt to the local authority by other means if they want to avoid selling the property or security. The local authority must accept an alternative means of payment, provided it covers the full amount due.

The executor of your will or administrator of your estate can decide how the amount due is to be paid; either from your estate (usually via the sale of the house or a life assurance policy) or from a third party source.

A local authority should wait at least two weeks following your death before approaching the executor or administrator with a full breakdown of the total amount deferred. A family member or the executor/administrator can approach the local authority to resolve the outstanding amount due prior to this point. Responsibility for arranging repayment of the amount due (in the case of payment from the estate) falls to the executor or administrator.

Interest accrues on the amount owed after someone's death until the amount due to the local authority is repaid in full.

If terminated through your death, the amount owed falls due 90 days after the date of death. After this period, if a local authority believes active steps to repay the debt are not being taken, for example the sale is not progressing, they can take legal proceedings to reclaim the amount due.

In whatever circumstance an agreement is terminated, the person (or a third party) must be provided with a full breakdown of how the amount due has been calculated.

Once the amount has been repaid, the local authority should provide confirmation the agreement has been concluded and confirm (where appropriate) the charge against the property has been removed.

8.15 A 'loan type' deferred payment agreement

Loan type DPAs are different to the 'traditional' type where the authority arranges your care and defers the charges due to it.

Under a loan type agreement, you arrange your own care, with the authority loaning you an amount towards your fees in instalments. The agreement must make clear:

- the authority will make advances of the loan to the adult in instalments
- the purpose of the loan is to pay for care home costs or supported living accommodation. This should explain the consequences of any failure by you to pay care costs, and
- the adult must inform the local authority if he or she no longer receives or intends to receive care in such accommodation.

9 Information, advice and advocacy duty

Local authorities have a duty to provide information and advice relating to care and support, including deferred payment agreements.

To make well-informed choices, it is essential you can access appropriate information and advice before taking out a DPA. It is important you are kept informed throughout the course of a DPA and that you (and the executor or administrator of your estate where appropriate) receive the necessary information upon termination of the agreement.

Where appropriate, the local authority should give you information about how someone can act for you if you lose mental capacity to manage the DPA yourself, for example by creating a Lasting Power of Attorney.

Most areas of information that must be provided by the local authority are covered above.

Other areas include:

- explaining the implications that a DPA may have on your income, social security benefit entitlements, and care charging
- giving an overview of potential advantages and disadvantages of taking out a DPA and explain other options for paying for care to consider
- the existence of the 12-week property disregard, which gives additional time to consider options in paying for care, and
- taking independent financial advice, including regulated financial advice.

Local authorities must provide easy to read information about how the local scheme works in formats compliant with the *Equality Act 2010*. This must be provided at the earliest appropriate opportunity during the 12-week property disregard.

Specifically relating to your property

The local authority should advise you it needs to consider how you plan to use, maintain, and insure your property. They should advise whether they intend to place conditions on how the property is maintained whilst the DPA is in place. It usually includes requirements for you to maintain and insure your home within the terms and conditions of a DPA.

The local authority should give general information for homeowners on how you may choose to use your property when you enter residential care.

For example, information on renting your property and the potential impact on other people living in the property if a sale is required after your death.

They should give advice and signpost you to more specialist organisations who can provide further advice, including information about the legal responsibilities of landlords and obligations to tenants.

9.1 The independent advocacy duty

The local authority has a duty to appoint an independent advocate if you struggle to understand or make decisions about your care and have no one you want to help you engage in the process, such as a relative or friend.

This builds on what already exists under the *Mental Capacity Act 2005* for people who lack mental capacity. The right applies if you have '*substantial difficulty*' in doing any of the following:

- understanding relevant information (about social care and health issues)
- retaining that information
- using or weighing up the information
- communicating your views, wishes or feelings.

10 Challenging local authority decisions

If you disagree with a decision by the local authority or are not satisfied with the service provided, they can be challenged through the formal complaints procedure.

This may be because, for example, the local authority has included your property in the financial assessment when it should be disregarded, or you have been refused a deferred payment agreement.

Ask the local authority for details of its procedure. If you are not satisfied with the outcome of your complaint, you can take it to the Local Government and Social Care Ombudsman.

For further information, see Age UK factsheet 59, *How to resolve problems and complain about social care*.

11 Pension Credit and property

For Pension Credit (PC) entitlement, the value of your home is ignored for periods of short-term or temporary residential care.

If you are a permanent resident, the value of your property can be disregarded for up to 26 weeks (or longer if reasonable) as long as steps are taken to sell it.

If you are in permanent residential care but your house is not up for sale, the value of your interest in your former home is usually included in the financial assessment for PC. This applies even if you have taken out a DPA on the property. However, the deferred amount secured against the property should be disregarded for PC.

The value of a former home is disregarded in certain circumstances, for example, if it is occupied by your partner, or a close relative who is over State Pension age, or sick or disabled. Unlike the social care financial assessment, there are no discretionary disregards of property under PC rules.

See Age UK factsheet 48, *Pension Credit*, for more information.

Useful organisations

Care Quality Commission

www.cqc.org.uk

Telephone 03000 616 161

Independent regulator of adult health and social care services in England.

Care Rights UK

www.carerightsuk.org

Telephone 020 7359 8136

Provides advice and support to older people in care homes, their relatives and friends.

Citizens Advice consumer helpline

www.citizensadvice.org.uk/about-us/information/contact-the-consumer-service

Telephone helpline 0808 223 1133

Consumer advice over the phone and online.

Competition and Markets Authority

www.gov.uk/government/organisations/competition-and-markets-authority

Telephone 020 3738 6000

Produced advice for care homes on complying with consumer law.

Equality Advisory Support Service

www.equalityadvisoryservice.com

Telephone helpline 0808 800 0082 Mon-Fri 9am-7pm, Sat 10am-2pm

Funded by the Equality and Human Rights Commission, the helpline provides information and advice about the *Equality Act 2010* and human rights.

Land Registry

www.gov.uk/government/organisations/land-registry

Telephone 0300 006 0411

Registers the ownership of land and property in England and Wales.

Local Government and Social Care Ombudsman

www.lgo.org.uk

Telephone 0300 061 0614

The LGO is the final stage for local authority complaints if they cannot be resolved through the local authority procedure. It also deals with complaints about care providers when services are being privately purchased.

Age UK

Age UK provides advice and information for people in later life through our Age UK Advice line, publications and online. Call Age UK Advice to find out whether there is a local Age UK near you, and to order free copies of our information guides and factsheets.

Age UK Advice

www.ageuk.org.uk

0800 169 65 65

Lines are open seven days a week from 8.00am to 7.00pm

In Wales contact

Age Cymru Advice

www.agecymru.wales

0300 303 4498

In Northern Ireland contact

Age NI

www.ageni.org

0808 808 7575

In Scotland contact

Age Scotland

www.agescotland.org.uk

0800 124 4222

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Next update August 2026

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