

# WHAT IS A DEFERRED PAYMENT AGREEMENT?

A deferred payment agreement is an arrangement with your council that lets you use your home's value to cover care home costs. It lets you delay paying those costs until later, so you don't have to sell your home right away.

## When would you use a deferred payment agreement?

You might consider a deferred payment agreement if your savings and other assets (excluding your home) are low, but the value of your home pushes you over the threshold for paying care home costs yourself. This agreement allows you to delay selling your home to cover care costs.

If your partner, a dependent child, a relative over 60, or someone who is sick or disabled, lives in your home, it won't be counted as an asset, and you won't need a deferred payment agreement.

Your local council offer two types of deferred payment agreements if you qualify:

- **Traditional agreement, also known as 'charging style'**: the council pays the care home on your behalf. This is the most common type of agreement which involves less paperwork since the council handles payments and contracts with the care home.
- **Loan style agreement**: the council loans you the money, and you pay the care home directly. This option might only be available if you're already paying for your own care. It offers more control and flexibility in choosing a care home, but you must manage the payments and contract yourself.

You might want to compare a deferred payment agreement with other options, for example, selling your home quickly and putting money into a savings account.

Paying for care is complex and depends on many things unique to you. Find out more about your options in our guides:

[Beginner's guide to paying for long-term care](#)

[Ways to pay care home fees](#)

[Help with long-term care costs from your local council or HSCNI](#)

## How does a deferred payment agreement work?

If you qualify, your local council can help pay your care home bills, and you can repay them later when you sell your home or after your death.

You'll sign an agreement stating the repayment terms.

The council will place a legal charge on your property to ensure the debt is repaid. This charge will be removed once the debt is paid off. If the council cannot secure this charge over, they will likely not go ahead with the agreement.

You can usually use up to 70-80% of your home's value to cover care fees. This ensures enough money remains for selling costs and interest. The council will review the agreement when 70% of your home's value is used.

Setting up this agreement should take no more than 12 weeks. This arrangement is to avoid selling your home during financial assessment.

Short-term stays in a care home aren't covered by this scheme.

Care funding works differently depending on where you live. Find out more where you live:

### England

Call [Age UK](#) on 0800 055 6112 (every day, 8am to 7pm) or visit [Age UK](#)

For factsheets, see [Age UK](#)

### Scotland

Call the Age Scotland helpline on 0800 1244 222 (Monday to Friday, 9am to 5pm) or visit [Age Scotland](#).

For factsheets, see [Age Scotland](#).

There's more information at [Care Information Scotland](#).

### Wales

For guidance and services, go to the [Welsh Government website](#).

You can also call Age Cymru on 08000 223 444 (Monday to Friday, 9am to 5pm) or go to [Age Cymru](#).

### Northern Ireland

In Northern Ireland, there's no formal deferred payment system. But it might still be available – ask your local Health and [Social Care Trust \(HSCNI\)](#).

Call Age NI on 0808 808 7575 (Monday to Friday, 9am to 5pm) or go to [Age NI](#).

## Am I eligible to use a deferred payment agreement?

To qualify for a deferred payment agreement:

- your local council agrees you need care in a care home.
- you must own a home or another asset the council can use as security
- the value of your home is considered in assessing your care home fees, for example, if no partner or dependent lives there
- you should be in a care home long-term, as temporary stays don't qualify
- you must agree to the terms of the deferred payment agreement.
- you must have savings and capital less than the threshold shown in the table below;

### Region Upper savings and capital threshold for any local council funding in 2024/25

England	£23,250
Wales	£24,000 (care at home) or £50,000 (care in a care home)
Scotland	£35,000
Northern Ireland	£23,250

### Lower savings and capital threshold for maximum local council funding in 2024/25

England	£14,250
Wales	£24,000 (care at home) or £50,000 (care in a care home)
Scotland	£21,500
Northern Ireland	£14,250

If eligible, your local council will discuss the deferred payment option with you, but you must request it.

If you have a mortgage, check with your lender, as some may not allow another loan to be secured on the home.

Existing equity release schemes might prevent joining a deferred payment scheme.

## Are there any charges with a deferred payment agreement?

If you enter a deferred payment agreement with your local council, there might be some charges. These can include:

- **administration fees** for setting up the agreement, such as Land Registry fees, home valuation costs, legal fees, postage, phone, and printing.
- **one-off charges later** if your debt reaches half the value of your home, regular revaluations of your home will incur fees.

The council's fees must be reasonable and should only cover their costs. They must make a list of these charges publicly available.

## Interest charges on deferred payments

In England and Wales, your local council may charge interest on the deferred payments, which are reviewed every six months in January and July.

In Scotland, no interest is charged while the agreement is active. Interest is only charged after the agreement ends or 56 days after death, at a reasonable rate set by the council. If the debt isn't paid on time at the end of the agreement, extra interest and administrative fees might be added.

For more information in Northern Ireland, ask your local [HSCNI](#) if a formal deferred payment system might still be available.

## Repaying your local council

The money owed, including interest and administrative charges, must be repaid when you sell your home.

If you die, the executor of your will is responsible for repaying the amount owing on whichever is sooner:

- the date on which the property or asset is sold or disposed of, or
- 90 days after the date of death.

## What are the advantages and disadvantages of using a deferred payment agreement?

### Pros

A deferred payment agreement doesn't affect the way your income and savings are assessed to see how much you'll need to pay for your care.

Your local council pays for the care home or lends you the money, so you don't need to pay immediately.

You only owe money based on the time you spend in a care home.

Your home's value might increase, which could help cover care costs for longer or repay your local council when the house is sold.

You can rent out your home to help pay for care.

You can still receive certain benefits like Attendance Allowance and Disability Living Allowance.

### Cons

You must still pay for home upkeep and maintenance.

You'll need to keep paying for utilities to prevent the house from looking unoccupied.

Your home must remain insured, which can be tricky if it's empty.

If you have a mortgage, you must continue payments.

Falling house prices could leave you with less money.

If you decide to rent out your home, managing rental property can be challenging.

After the council has been repaid, there will be less money left from the sale of your home. This means that anyone who might expect to inherit from you will receive less.

If you and someone jointly own your home, they'll have to consent to the agreement and agree that the home will be sold when the time comes to repay the council.

## How will a deferred payment agreement affect my benefits?

If you're under State Pension age and own a property worth over £16,000 that's not for sale, you won't qualify for means-tested benefits. If you're over State Pension age, you might not be able to get Pension Credit because the property's value will count as income.

If you have a deferred payment agreement and arrange to pay the council back later, you'll still receive benefits like Attendance Allowance or Personal Independence Payment (PIP), even if you get other means-tested benefits at the same time.

To reduce your debt to the local council, make sure you claim all the benefits you're eligible for.

## Renting out your home if you agree to a deferred payment agreement

Renting out your home can provide extra income, but you'll need council approval. There are other things to consider:

- Landlord responsibilities might require help from a letting agent or family member.

- There might be periods without tenants.
- Rising care home costs could outpace rental income.
- After 36 months, whether you rent out your home or not, it will be considered a chargeable asset for Capital Gains Tax if you sell it. For more information about selling your home, visit [litrg](#).

If you're thinking of renting out your home, it's a good idea to get financial advice and speak to a letting agent to find out what the rental market is like in your area before you decide.

## What is a Disposable Income Allowance?

In England only, if you have a deferred payment agreement, you have the right to keep a portion of your income, called the Disposable Income Allowance, currently set at £144 a week.

This amount can help you cover home expenses like:

- insurance
- energy bills, and
- maintenance costs.

But you can choose to keep less of this allowance if you wish.

This means you can use more of your income to pay for your care now, which reduces the amount you're deferring and therefore the debt you'll owe to the council.

But this choice is up to you. The council cannot pressure anyone to keep less than the full amount if you want to keep it.

## Get financial advice on long-term care planning

With so many options to choose from, it's important to get financial advice before making a final decision.

A financial adviser specialising in later life can help you understand the complex care system, especially if you're dealing with the stress of urgent care needs.

Find out more in our guide [Help funding care – how to get advice](#).

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