

Deferred Payment Agreements

The care funding option nobody talks about

PODPLAN

£0

Forced sales during lifetime, a DPA prevents this.

4.75%

Current maximum interest rate, reviewed every 6 months.

90%

Maximum proportion of property equity that can typically be deferred.

90 days

Time the estate has to repay the debt after the person dies.

How it works (Step-by-step)

→ The council assesses eligibility during the financial assessment
A DPA must be offered to anyone who qualifies. It must be applied for before the 12-week property disregard ends.

→ The council pays care home fees on the person's behalf
Fees are paid directly to the care home. The debt - plus interest and administration fees, accumulates against the property.

→ A legal charge is placed on the property, like a mortgage
The person cannot be forced to sell during their lifetime. The property must remain insured and maintained throughout.

→ The debt is repaid when the property is eventually sold
Either when the person chooses to sell, or from the estate within 90 days of death. The DPA can run for the full length of the care placement.

How much can be deferred

Example, Property valued at £200,000

Property value: £200,000

Less 10% buffer (covers sale costs and market risk) £20,000

Less lower capital limit £14,250

Maximum that can be deferred £165,750

How does interest work?

The current maximum rate is 4.75% per year from January 2026, reviewed every six months. Interest compounds, it is charged on the debt and on the interest already added. On £100,000 deferred at 4.75%, the debt grows to around £115,000 after 3 years before repayment. The longer the DPA runs, the more significant the interest becomes.

What a DPA does, and what it does not

What it does not do

- ❌ **Remove the debt - it delays it**
The full amount deferred, plus compound interest, is owed and must eventually be repaid.
- ❌ **Protect the full estate from care costs**
The property value - minus what is protected, will ultimately contribute to care costs.
- ❌ **Apply to short-term or respite care**
DPAs are only available for permanent care home placements, not temporary stays.
- ❌ **Work if there is an existing mortgage or equity release**
Existing secured debt may prevent eligibility the council needs a first legal charge.

What it does

- ✅ **Prevents a forced sale during lifetime**
The council cannot force a sale while the person is alive and the DPA is in place.
- ✅ **Buys time to sell at the right price**
Families can market the property properly rather than rushing a sale under pressure.
- ✅ **Allows the property to be rented out**
Rental income reduces the amount being deferred, and the interest accruing on it.
- ✅ **Can be ended at any time**
The person can sell the property and repay the debt whenever they choose.