



## The "Pay Later" Plan: A Guide to Deferred Payment Agreements (DPAs)

Moving into a care home is a big life transition. In the middle of all that, the last thing anyone wants to worry about is being forced to sell their house the moment they move into care. In this situation, a Deferred Payment Agreement (DPA) might be the breathing room you need. Think of it as a financial "pause button" provided by the local council.

### What Exactly is a Deferred Payment Agreement?

In short, it's a loan from your local council. Instead of selling your home immediately to pay for care fees, the council pays the bills for you. In exchange, they take a "legal charge" on your property (like a mortgage). You eventually pay the money back - plus interest - usually when the house is sold. Your local council is legally required to offer a DPA if you meet the criteria.

### Who is Eligible for a DPA?

Not everyone qualifies for a DPA, but the criteria are generally straightforward. You are usually eligible if:

- Your capital (excluding your home) is below the lower funding limit - £23,250 in England at the time of writing.
- You are moving into a care home permanently.
- Your home is not "disregarded." (For example, if a spouse or a dependent relative still lives there, the council shouldn't count the home's value anyway).
- There is enough equity in the home to cover the costs and the council can secure a first-charge mortgage on it.

### How Do You Set Up a DPA?

The process involves a bit of paperwork, but here are the main steps:

- **The Request:** You (or someone with Power of Attorney) formally ask for a Deferred Payment Agreement.
- **The Financial Assessment:** The council will look at your income and savings.
- **Property Valuation:** The council will value your home to ensure there's enough "headroom" to cover the debt.
- **Legal Paperwork:** A contract is drawn up, and a legal charge is placed on the property at the Land Registry.
- **The 12-Week Disregard:** Usually, the council ignores the value of your home for the first 12 weeks of permanent care. A DPA typically kicks in after this period ends.



## What to Watch Out For (The "Fine Print")

While a DPA can be a lifesaver, it isn't "free money." Be aware of the following:

- **Interest Rates:** The council will charge interest. While the rate is capped by the government, it compounds, meaning the debt grows over time. As of January 1, 2026, the national maximum interest rate for DPAs is 4.75% APR. This is compound interest, meaning it is added to the debt daily or weekly.
- **Administrative Fees:** You'll likely be charged for the setup, valuations, and legal costs. These can be paid upfront or added to the loan. Expect a one-off administrative fee ranging from £500 to £750. Some councils also charge an annual "management fee" of around £200 to cover the cost of regular statements and equity monitoring.
- **Maintenance and Insurance:** You are still the homeowner. You (or your family) must keep the house insured and in good repair. If the roof starts leaking, that's your bill, not the council's. If you have a DPA, you have the right to take up to £144 per week from the loan to help you maintain the property (insurance, heating to prevent damp, or a gardener).
- **"Topping Up":** If you choose a care home that costs more than the council's standard rate, you can use a DPA to cover that "top-up," but of course this eats through your equity much faster.

## How Does the DPA End?

It is important to know how the "loan" ends. A DPA usually terminates in one of three ways:

- The house is sold while the resident is still alive.
- The equity limit is reached (usually when you've borrowed about 70–80% of the home's value).
- In the event of death. Then the executor of the estate has 90 days to repay the debt. After 90 days, many councils will significantly increase the interest rate (sometimes to 8% or more) to encourage a swift settlement. It is important that families to have a plan for how they will settle this - whether through a quick sale or a separate loan.

## Is it Right for You?

A DPA may be a good option for families who aren't ready to sell the family home or for those waiting for a better housing market. However, if the house is likely to sit empty and fall into disrepair, a quick sale might be more cost-effective in the long run.

Always consult a financial advisor or a solicitor who specialises in this area law before signing. The council provides the agreement, but they aren't your financial advisors—make sure you have an expert in your corner.