

Rates Deferment Scheme for Owner Occupier Pensioners

Rates deferment is a new scheme which came into effect on 1 April 2010.

It aims to provide owner occupier pensioners with a payment choice for their rates. They may postpone paying their rates until their death or their property is sold/transferred, provided that the terms of the agreement are maintained.

This fact sheet answers some questions that you may have about the scheme. The Rates Deferment Booklet provides greater detail about the scheme. It is available at www.nidirect.gov.uk/rates-deferment-scheme.htm

What is the Rates Deferment Scheme?

This is a payment choice available to pensioners who own and occupy their own homes. Pensioners may be able to postpone paying their rates until their death, their property is sold/transferred or any of the terms of the agreement with the Department are broken. **The debt will be secured against your home and the outstanding rates will have to be paid back with interest.**

Other conditions apply and these are explained in more detail in the Rates Deferment Guidance Booklet. It is available at www.nidirect.gov.uk/rates-deferment-scheme.htm

Who can apply to defer rates?

You can apply if you:

- are of pensionable age (<http://campaigns.dwp.gov.uk/asd/espa.pdf>) or over on 1st April in the year of your application;
- own your own home and occupy it as your sole or main residence;
- have sufficient equity in your home (at least 40%). This is the value which is not subject to either a mortgage and/or charge; and
- have a capital value used for assessing your rate bill of £50,000 or more (average £340 rate bill).

Your partner can jointly apply providing they own and occupy the same property as their sole or main residence. If more than one person owns your home all owners will have to apply and meet the scheme's requirements.

How do I apply?

If you would like to postpone the payment of rates, as a first stage you will need to complete an [application form](#). We will then send you an illustration of what postponing rates could cost.

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Will I subsequently have to supply relevant information?

If, having received the postponed rates illustration, you are interested in proceeding a range of information will have to be submitted. This includes confirmation:

- of ownership of the property;
- that you occupy the property as your sole or main residence;
- of who else occupies the property; and
- any charges against the property (including mortgages).

You will be required, at your own expense, to provide a solicitor's report on ownership of the property and any existing charges against it.

Other information may have to be provided through third parties, such as mortgage lenders.

Will supplying this information cost me anything?

Yes, you will be responsible for paying the costs to your solicitor or any other relevant bodies. This could amount to several hundred pounds. There is no standard fee for this service and this will be a matter for you and your solicitor to agree on. If the Department allows you to postpone rates you will be given the opportunity to recover these up front costs and include them with the postponed rates, which will also be subject to interest.

How much rates can I postpone?

If the Department allows you to postpone rates you can postpone payment of the annual rates liability for your home, as long as you continue to meet the conditions of the scheme/agreement. In the unlikely event that the ongoing minimum equity limits (including maintaining at least 30% clear equity) are broken during the postponement period, you will have to begin paying rates again. The amount you have postponed by then will not have to be repaid at that point, but would continue to accrue interest.

How long can I postpone the payment of rates for?

If accepted onto the scheme it will be assumed that you will postpone the payment of rates until you die. Depending on your age it could be for 30 years or more.

Can I repay my postponed rates at any time?

Once an agreement has been entered into you may, at any time, repay the owed rates debt (plus interest). Also you can stop deferring your rates, for any year, and pay your bill again in the normal way. The accumulated debt would remain and interest would continue to accrue.

How will interest be charged?

Interest will be levied, on a daily compound basis, calculated using 1% below the Bank of England base rate, subject to a minimum of 1%.

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When will the rates have to be paid?

Payment of rates will be postponed until the deferment agreement ends. This will generally be on your death (unless someone else is postponing rates on the property, i.e. your partner).

It will also end when your home is sold or transferred or any agreement terms are breached.

Following this, the outstanding rates will have to be paid back together with interest accrued and any charges incurred. The debt will take the form of a statutory charge on your home and will be enforceable as if it were a valid mortgage by deed in favour of the Department.

Given the long term nature of rates postponement the final debt is likely to be considerable and in all likelihood will have to be paid through the sale of your home. It is important that you, your family and those close to you understand the implications of this.

What information will I get on rates postponement?

You will be provided with an illustration of the cost of postponing rates, reflecting anticipated life term and your property value. This will be based on a range of assumptions and broken down into rates, interest and any charges. You will also be provided with a Rate Deferment Guidance Booklet that includes more detailed information on the scheme.

Are there any exclusions?

Yes. Generally you will not be able to postpone rates:

- if you are aged under 60 (unless you are jointly deferring as the partner of a person aged 60 or over and also own and occupy the same property as your sole or main residence);
- if the property is not your sole or main residence;
- if any other owner is unable to postpone rates;
- if the equity in your home is less than 40%;
- if there is a variable charge or mortgage on your property (because of the risks this poses to the Department's security);
- if you rent your home;
- on any second home;
- on an empty home (limited exceptions for residential, nursing home and hospital care); or
- if the capital value of your home is less than £50,000.

Who do I contact?

- Phone 0300 200 7801; or
- Go to www.nidirect.gov.uk/rates-deferment-scheme.htm for more information or an [application form](#).