

“Unfunded liability for so-called ‘self funders’ will not go away” A response to the Governments proposed social care insurance scheme:

Submitted by: HCR

Wednesday, 11 July 2012

Rob Dolbear, Finance Director for Bridgfast Property Services specialising in providing property sales management, home-move services and advance funding to retired homeowners, explores the holes in the Governments proposed social care insurance scheme:

One of the key elements of the Government’s proposals is a scheme to allow local authorities to agree to pay in advance for care if individuals cannot afford to do so without selling their home. Councils could then recoup the cash when the house was sold when they died, leading some to dub this a "death loan".

While on the face of it this sounds quite attractive, assuming the funding is made available, there are a number of implications which have not been properly thought through.

Firstly it is likely to encourage people to think that they do not need to get proper financial advice about how to fund their care fees, something which up until now the Government has been keen to encourage. What happens if the equity value of the property fails to meet the care costs? The answer is the cost will fall back on the state so the issue of an unknown, unfunded liability for so-called ‘self funders’ will not go away. There is no substitute for getting expert advice to ensure that elderly people maximise their capital and income, and know what they can and can’t afford.

Furthermore the proposals lead one to the inevitable conclusion that people moving into care will either be leaving a vacant property behind or will become a reluctant landlord. The issues around vacant properties are not to be underestimated:

- Most insurance policies reduce the level of cover or remove insurance for properties that are vacant after 30 or 60 days. Clearly an unacceptable risk
- Properties left vacant over the winter will need to be drained down
- It may well be prudent to change the locks
- Who is going to conduct periodic inspections to make sure everything is in order?
- How will maintenance issues, such as the garden, be dealt with?

The option to tenant a property has the obvious attraction of generating some income (notwithstanding tax implications) but do people in care really want to become landlords? Tenants can be quite demanding so for example, tenant requests and repairs will need to be dealt with promptly. Do you let the property furnished or unfurnished? Furnishings need to meet a certain standard as well as Health & Safety requirements. If you opt for unfurnished who is going to deal with the sale/disposal/storage of belongings? If you budget for a certain amount of rent, what happens if there is a gap between tenants or market rents fall?

Whether the property is vacant or tenanted the homeowner is effectively exposed to the vagaries of the property market with, as recent history shows, no guarantee of an upward trend.

A final thought on the proposals. One can only assume that the local authority will fund up to a certain amount per week. Therefore anyone wishing to obtain a higher level of care may well need to sell their house anyway to generate the necessary additional funds.

About Bridgefast

Bridgefast (<http://www.bridgefast.co.uk>) are an independent specialist property sales management and funding company based in Basingstoke. For the past 25 years Bridgefast has been providing a comprehensive range of dedicated property-related services for the retired homeowner.

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