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for older people, their families and carers

factsheet

Counsel and Care factsheet: 11

Valuing beneficial interest: equity release

Financial assessment

The decision on whether to include capital from the value of a property in your financial assessment for care home fees and how much to include, will be made at the time of the **financial assessment** carried out by the local council Social Services in accordance with the **Charging for Residential Accommodation Guide** (CRAG – available at www.dh.gov.uk). (Please see guides **16: Care Home Fees: paying them in England, 52 (Scotland) or 72 (Wales)** for more information. This can also be a retrospective decision if the council finds out at a later date that, for example, someone had a property but transferred it to someone else before moving to a care home.



www.counselandcare.org.uk
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Nil value of the beneficial interest

Factsheet **8: Valuing beneficial interest in property** explains the process of valuing your beneficial interest in a property. **CRAG**, which is used by councils to financially assess whether you should pay care home fees, states that the value of the beneficial interest is governed by:

- your ability to re-assign the beneficial interest to somebody else (selling to a fellow beneficial owner) , and/or
- there being a market i.e. the interest being such as to attract a willing buyer for the interest.

This could mean that the value of your beneficial interest in a property could be a **percentage** of the value if it was placed on the market now, or effectively, if there was no willing buyer and no offer from a fellow beneficial owner, **nil**. However, councils may be more unlikely now than in the past to accept a nil value on your beneficial interest although according to CRAG this is still possible. This is because there are now various ways of releasing capital from a property. One of the ways is through **equity release**.

Equity release

One way of releasing capital from a property is through equity release. You may wish to release some of the capital locked in your property to enable you to meet the cost of care fees. The council may also see this as a method of ensuring that your full

beneficial interest in a property can be taken into account in any financial assessment for a care home placement.

However, it is important to be aware that while equity release schemes may be right for many older homeowners, it may not necessarily be the best option for all. It is advisable to obtain an **independent and professional opinion** about using the capital in your home in this way to meet the cost of care fees so that you can begin to consider if an equity release scheme is the most viable option for you. You will need to be aware of the **advantages and disadvantages** of any plan you are considering prior to making such a decision. In particular, consider any long-term consequences which might affect you and other beneficial owners of the property, and get confirmation of costs involved in setting up the plan, including fees charged by both the solicitor and the financial adviser.

Seeking the advice of an **independent financial adviser** is a good way of obtaining independent financial advice concerning your particular situation. Raising capital from a property has developed into a specialist area, and it is recommended that you select an adviser who has had firsthand experience in this particular field. The independent financial adviser should act on your behalf, independently of any scheme provider to advise on all available types of schemes, and to specify the most appropriate scheme for you. They should inform you of all the potential risks involved with all the different schemes, for example, how inflation, changes in interest rates, and changes in property prices could affect you, if there are any restrictions on moving to another property, and

what safeguards and/or guarantees are in place to protect your interests. They must be authorised by the **Financial Services Authority (FSA)** (www.fsa.gov.uk). All authorised firms must show that they meet set standards before they can be authorised by the FSA.

You may wish to contact the FSA – they can direct you to an independent financial adviser who can advise you as to the suitability of using the equity release scheme on your property for your particular set of circumstances. The **FSA** helpline number is **0845 606 1234**. Please note, however, that their authorisation by the FSA does not guarantee that an independent financial adviser will select a scheme that is completely suitable for you.

Financial and legal advice

As we are not financial or legal experts you may want to seek more expert and in-depth legal and/or financial advice. The **Financial Services Authority (FSA)** can be contacted on **0845 606 1234** or through their website: www.fsa.gov.uk. They may be able to direct you to a financial adviser specialising in equity release. You may also want to talk to the **Community Legal Services (CLS)** on **0845 345 4 345** and ask them to direct you to a solicitor who specialises in community care and equity release. The **Royal Institute of Chartered Surveyors (RICS)** who specialise in establishing the value of beneficial interest in a property can be contacted at www.rics.org.uk or **0870 333 1600**.

Further information

Counsel and Care is a national charity; however the creation of the Scottish Parliament, and the Welsh and Northern Ireland Assemblies means there are differences in the ways each region cares for and supports older people. The information in this factsheet applies essentially to England although there may be similarities with Scotland, Wales and Northern Ireland.

If you need further information or advice about legal and beneficial interest or the valuation of capital as it relates to financial assessments, please see the other factsheets in this series or our guides at www.counselandcare.org.uk. All our factsheets and guides can also be ordered by telephoning our guide order line on **0207 241 8522**.

Alternatively, if you have a query relating to these issues, you may want to contact our advice line on **0845 300 7585** or send your enquiry by email to advice@counselandcare.org.uk.

Counsel and Care is the national charity working with older people, their families and carers to get the best care and support. If you have found our service helpful, please consider making a donation or leaving a legacy in your Will. You can arrange either by telephoning 020 7241 8555 or using the secure service on our website www.counselandcare.org.uk.

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