



Valuing beneficial interest: re-mortgaging

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.

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 a nil value is still possible. This is because there are now various ways of releasing capital from a property. One of the ways is through **re-mortgaging**.

Re-mortgaging – when and why?

This can happen when your current deal has ended, but can also be used to release equity in your property during your current mortgage deal. Some people re-mortgage to get a better deal from a different lender or to release capital to spend on altering

the property, but for the purpose of this factsheet we are more interested in re-mortgaging to release equity from the property in order to pay care home fees. The equity released in this way would be taken into account in a financial assessment for care home fees.

Advice and contacts

There are a wide range of mortgages available (annuity, rolled over interest etc) in what is a growing area, and you may want to take expert advice with regard to whether the re-mortgaging option is the most suitable for you (and any beneficial owners if relevant). (Please see the end of this factsheet for contact details.)

If you decide to go ahead with this option after taking expert advice you may also want to contact the **Mortgage Advice Bureau** (0800 085 0118; www.mortgageadvicebureau.com), one of the UK's largest independent mortgage brokers, as they can give advice and make recommendations from over 4,000 mortgage schemes. Depending on individual circumstances, they charge a fee of up to 1% on any mortgage they arrange.

'Buying you out'

It may be that a relative and/or fellow beneficial owner, if they are unable to buy your share of a property outright, would consider trying to raise the capital by re-mortgaging on the current deal. This would effectively mean 'buying you out'. This would release capital from the property (or your share of the property if you are a joint beneficial owner) for you to meet the costs of your care home fees. If a relative and/or fellow beneficial owner is

considering this option they may want to seek expert financial advice via the organisations mentioned in this factsheet. This would ensure that it is the right option for them in terms of 'buying you out' and for you in terms of releasing capital from the property to pay your care home fees.

Financial and legal advice

As we are not experts in the field of financial advice 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 that specialises in re-mortgaging. You may also want to talk to the **Community Legal Services (CLS)** on **0845 345 345** and ask them to direct you to a solicitor who specialises in community care and re-mortgaging. 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 any of 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.

Counsel and Care
Twyman House
16 Bonny Street
London NW1 9PG

Tel.: **0845 300 7585** (local call rate)
Email: **advice@counselandcare.org.uk**
Website: **www.counselandcare.org.uk**

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