

The logo for Money Wise UK, featuring the text "Money Wise UK" in white, sans-serif font, centered within a blue, horizontally-oriented brushstroke graphic that has irregular, torn edges.

Money Wise UK[®]

Growing together, with integrity and respect

Money Wise UK[®] – FCA Consolidation Review

May 2026

What Financial Planning Firms Need to Know About the FCA's Growing Focus on Consolidators, Acquisitions and Consumer Duty

Executive Summary

The Financial Conduct Authority (FCA) has now published one of its clearest statements yet on consolidation within the UK financial advice and wealth management sector.

While the regulator is not introducing new rules, this review sends a clear message: Growth through acquisition is acceptable. Growth without control is not.

The FCA's review examined firms acquiring Independent Financial Adviser (IFA) businesses, wealth managers, and vertically integrated advice models. Its findings focused on:

- Group debt structures
- Financial resilience
- Governance and board oversight
- Risk management frameworks
- Acquisition due diligence
- Integration planning
- Conflicts of interest
- Consumer Duty outcomes

For Money Wise UK®, the publication is particularly notable because it aligns closely with notes from our direct FCA discussions in April 2024 regarding consolidators and Consumer Duty risks.

The direction of travel is becoming increasingly clear:

The FCA is moving beyond individual advice files and increasingly assessing:

- Ownership structures
- Private equity funding models
- Group conflicts
- Post-acquisition client outcomes
- Legacy charging structures
- Service delivery consistency

This paper explores what the FCA is saying—and what it means for financial planning firms, whether they are buying, selling, merging, or simply reviewing succession options.

1. Why the FCA Is Looking at Consolidation

The UK advice market continues to evolve.

A number of structural forces are driving consolidation:

- An ageing adviser population and succession planning challenges
- Rising compliance and Consumer Duty costs
- Greater demand for operational scale
- Private equity interest in recurring revenue businesses
- The growth of vertically integrated propositions

Consolidation itself is not the issue.

The FCA explicitly states that well-run consolidators can deliver:

- Better operational efficiency
- Stronger governance
- More consistent client experiences
- Improved shareholder outcomes

However, the regulator's concern is simple:

Do clients still receive the service, value and outcomes they originally signed up for after ownership changes?

This theme was directly echoed in discussions with the FCA in April 2024.

2. Key FCA Findings

A. Good Practice Observed

The FCA found that stronger consolidators shared several common characteristics.

Clear Group Structures

Firms with simple and transparent structures were easier to supervise and better able to manage risk.

These firms typically had:

- Clear ownership chains
- Defined reporting lines
- Transparent governance responsibilities
- Strong prudential oversight

Well-Resourced Regulated Entities

The strongest groups ensured regulated businesses remained financially resilient even when debt existed elsewhere in the structure.

This included:

- Sufficient capital buffers
- Independent liquidity planning
- Appropriate staffing levels
- Protected operational resources

Group-Wide Risk Oversight

Better firms assessed risks across the entire group, not just individual regulated entities.

This included:

- Capital requirements
- Liquidity risk
- Operational dependencies
- Integration risk
- Reputation risk

These are all increasingly relevant under the FCA's prudential regime.

B. Practices That Could Cause Harm

The FCA identified several practices that, if not properly managed, could increase the risk of consumer harm, weaken financial resilience, or create governance failures.

Importantly, many of these risks do not arise because firms intend to deliver poor outcomes. They often arise when acquisition activity outpaces governance, systems, or cultural integration.

Below are some practical examples of where the FCA may focus.

3. Debt Structures – A Major Regulatory Focus

One of the strongest themes in the review relates to acquisition funding.

The FCA highlighted concerns where:

- Regulated entities guaranteed group borrowings
- Cash was extracted from regulated firms to service holding company debt
- Client-facing firms were indirectly supporting acquisition strategies
- Debt refinancing risks weakened resilience

The FCA's concern is straightforward:

Clients should not bear hidden risks created by aggressive acquisition financing.

For MIFIDPRU firms, this also links directly to ICARA obligations and group risk quantification.

Example:

A consolidator acquires three advice firms over a two-year period using bank borrowing.

To support the borrowing:

- The regulated advisory businesses guarantee the holding company debt
- Profits are extracted from the advice firms to service loan repayments
- Recruitment and compliance investment is delayed to preserve cash flow

At first, the group appears profitable.

However, if market conditions weaken or client withdrawals rise, cash flow becomes strained.

This creates risks such as:

- Reduced adviser capacity
- Delayed annual reviews
- Pressure to retain fee-paying clients regardless of suitability
- Reduced investment in systems, training, or compliance

FCA concern:

Client service should never be compromised by acquisition financing decisions.

Money Wise UK® View

This is a major area boards should challenge.

Key questions:

- Could our debt structure impact client service delivery?
- If revenue falls, can we still meet our regulatory obligations?
- Are we relying on ongoing fee income to support group leverage?

4. Consumer Duty Risks in Consolidator Models

This is where the FCA's 2024 discussions become particularly relevant.

During our discussions with the FCA in April 2024, several key themes emerged.

A. Proposition Drift

One of the regulator's biggest concerns is what happens after acquisition.

Clients may join one advice proposition but later be moved into:

- A different service model
- A different adviser relationship
- A different charging structure
- A centralised investment proposition

The FCA made it clear:

“Economic equivalence is not enough.”

Even if pricing remains similar, client expectations and outcomes still matter.

Practical Example

A client originally receives:

- Named adviser relationship
- Two face-to-face meetings annually
- Bespoke investment planning

Post acquisition, they receive:

- Centralised servicing
- Telephone reviews
- Model portfolio management

Even if fees remain unchanged, the FCA may question whether:

- Consumer Understanding has been maintained
- Client consent was informed
- Fair Value still exists

B. Ongoing Fees Without Equivalent Service

Another concern raised by the FCA:

Operational centralisation may improve group efficiency—but can reduce client service intensity.

Examples:

- Fewer adviser meetings
- Reduced proactive contact
- Longer review cycles
- Administrative outsourcing

If charges remain unchanged, the FCA may view this as a Consumer Duty risk.

The FCA's view:

Standardisation must not dilute individual client outcomes.

C. Client Segmentation and Value Erosion

Legacy clients—especially smaller clients—may face increased risks after acquisition.

The FCA highlighted concerns around:

- Clients moved into layered charging models
- DFM solutions where complexity is not needed
- Cross-subsidisation masking poor value

Key FCA concern:

Are clients paying for complexity they do not need?

D. Adviser Turnover and Relationship Loss

One of the more behavioural observations from the FCA.

Post-acquisition adviser turnover can lead to:

- Loss of relationship knowledge

- Reduced trust
- Missed review cycles
- Increased disengagement risk

This is particularly relevant given ongoing service scrutiny.

5. Conflicts in Vertically Integrated Models

The FCA remains highly focused on vertically integrated groups.

These may include:

- Advice firms
- Platform businesses
- Discretionary fund managers
- Model portfolio providers

The inherent conflict:

Clients may be moved into in-house solutions that benefit the group financially.

The FCA expects firms to evidence:

- Why the change improves outcomes
- Why costs remain justified
- Why alternatives were considered

Our April 2024 discussions reinforced this point.

6. Governance and Board Oversight

Rapid growth creates complexity.

The FCA observed cases where acquisition activity outpaced:

- Compliance resources
- Risk oversight
- Board experience
- Senior management capacity

In short:

Buying businesses is easier than integrating them.

Board Questions Money Wise UK[®] Recommends

Boards should challenge:

Financial Resilience

- Could debt pressure affect regulated entities?
- Have we stress tested downturn scenarios?

Consumer Duty

- Are acquired clients receiving equivalent or better outcomes?
- Can we evidence fair value by client cohort?

Operations

- Have adviser departures impacted servicing?
- Are review completion rates monitored by acquired firm?

Conflicts

- Can we justify platform or DFM migrations?
- Is client benefit clearly evidenced?

7. What This Means for Smaller Financial Planning Firms

This paper is not just for private equity-backed consolidators.

It also matters for smaller firms considering:

- Buying a retiring adviser's client bank
- Internal succession arrangements
- Merging with another adviser firm
- Outsourcing investment management
- Moving to vertically integrated propositions

Even small firms should ask:

Are we buying revenue—or are we inheriting client promises?

Money Wise UK® Final View

The FCA's message is becoming increasingly clear.

Historically, supervision focused heavily on:

- Suitability reports
- File checks
- Product recommendations

Today, the focus is broader.

The regulator is increasingly examining:

- Ownership structures
- Debt arrangements
- Culture
- Governance
- Post-acquisition client outcomes

For firms pursuing acquisition-led growth, Consumer Duty is no longer just about advice files.

It is now about whether the entire business model delivers sustainable, fair, and understandable client outcomes.

The winners in this market are unlikely to be the fastest buyers.

They will be the firms that can prove:

Growth has strengthened client outcomes—not diluted them.

Prepared by Money Wise UK®

Independent strategic insight for UK financial planning firms.

Source: FCA Multi Firm Review and FCA Discussion 2024