

FCA's Multifirm Review of Consolidation in the Financial Advice and Wealth Management Sector

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Executive Summary

- **What's new:** The UK Financial Conduct Authority (FCA) published a multifirm review of consolidation in the financial advice and wealth management sector, examining how the consolidated groups manage debt, governance, risks and integration during and after acquisitions.
- **Why it matters:** Consolidation plays a significant role in the financial advice and wealth management sector by supporting efficiency and growth. The review highlights good practices for investors in this sector to consider, and identifies areas where the FCA seeks improvements.
- **What to do next:** Firms looking to acquire and consolidate financial advice and wealth management companies should closely review the FCA's observations and develop integration plans in alignment with the authority's framing.

On 31 October 2025, the FCA published its findings from a [multifirm review of consolidation in the financial advice and wealth management sector](#). This is a follow-up to the authority's [Dear CEO](#) letter published in October 2024, noting increased acquisitions of firms or their assets in recent years, which set out expectations and the FCA's intention to undertake a multifirm review of these consolidations.

The FCA sampled a number of acquisitions of independent financial advisors and established wealth management businesses, and developed best practices and feedback to improve the effects of consolidations and support sustainable business growth.

The suggested practices address these FCA areas of focus:

1. Group debt management.
2. Group risk management.
3. Group structure and approach to consolidation.
4. Acquisition and integration approach.
5. Governance and resourcing.
6. Conflicts management.

Group Debt Management

The FCA highlighted its concerns regarding the use of debt funding for acquisitions and is in particular concerned about the pressure created on the financial resilience of regulated entities if these entities are required to upstream cash to service external debt. This includes where guarantees or security are used to transfer credit risk to the regulated entities, and the FCA is particularly focused on how client interests may be subordinated to lenders. Other key concerns identified in the review include:

- Group-level reliance on short-term borrowing, and the refinancing risk this can generate, particularly where regulated firms are guarantors.
- A lack of stress-testing where cash generation from regulated firms is needed to service the group debt.

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Potential acquirors of firms in the financial advice and wealth management sector should check that (i) the structure of their financing arrangements addresses these concerns and (ii) they clearly model and articulate the impact of any group-level financing on the regulated firm to the FCA as part of the acquisition approval processes.

Group Risk Management

The FCA expressed concerns about how group risk management is implemented, and identified a need for proper assessment of resources across the group — particularly where firms in the group share clients, revenue streams and control frameworks. The FCA indicated that the authority evaluates group risk framework when considering whether an individual regulated firm meets its threshold conditions for maintaining its authorisation.

Therefore, firms (and their owners) will need to ensure that they review and (where necessary) update the group-risk framework, including the internal capital and risk assessment (ICARA), following any additional group acquisitions. The FCA clarified that this involves looking beyond just entities in the immediate investment firm group. In particular, any changes to intragroup dependencies as a result of a transaction should be captured, including in relation to outsourcing, shared services or group licensing arrangements.

Group Structure and Approach to Consolidation

The FCA emphasised the need for investment firms (which will likely include wealth managers) to understand the FCA's prudential consolidation requirements and to ensure that sufficient capital is held at the required consolidated group level to mitigate group-wide risks.

The FCA has expressed concern about the use of offshore holding companies (including dual-parent structures) where these can limit the scope of consolidation for otherwise highly integrated businesses — although the review is silent on how the FCA would propose to address this, given that such structures may be outside of the regulated firm's control. The FCA also emphasised the need for groups to identify “connected entities” in their consolidation groups — which would include entities with majority common management to the regulated firms.

Firms should therefore consider the impact of transactions on potential consolidation groups and on any subsequent reorganisation and integration plans where greater reliance on group-wide systems and controls may increase the potential risks of harm that consolidation seeks to mitigate.

Acquisition and Integration Approach

The FCA emphasised the benefits of firms conducting pre-acquisition due diligence and forming detailed integration plans that fit within a defined strategy for delivering beneficial outcomes on acquisitions.

Firms should therefore tailor their diligence processes to look at the profiles of acquisition targets and ensure that diligence is not merely a compliance “tick box”.

Governance and Resourcing

The FCA identified the need for governance to scale, especially compliance and risk management functions, as businesses grow and become more complex. This may include increasing the amount of independent nonexecutive directors (iNEDs) on committees and boards, as well as ensuring sufficient autonomy exists in regulated boards for directors to make decisions that materially effect those businesses.

The FCA identified strong acquisition and integration processes as “good practice” that will benefit firms that take the time to develop a coordinated and detailed approach to integration across their acquisitions.

Most strategic and private capital investors should be familiar with these types of structural governance arrangements and therefore will simply need to build in this focus area as part of an acquisition-planning process and to then ensure ongoing maintenance of governance structures as a business scales post-acquisition.

Conflicts Management

The FCA also highlighted the management of conflicts of interest in groups. Conflicts of interest could arise in a fully integrated company where advising clients are placed into products offered by other group entities. Merged companies will need to manage any such cross-selling to ensure that it meets the FCA's rules on inducements.

Next Steps

The published review shows that the FCA is focused on creating healthy acquisitions. Firms seeking acquisitions in the financial advice and wealth management space should ensure that they consider the FCA review and address its focal points when planning their acquisition and integration strategy. The review also reflects where acquiring firms should expect questions from the FCA when seeking transaction approvals. Firms looking to make acquisitions may want to provide robust information on these topics to the FCA at an early stage in any approval process.

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