Proskauer

FCA Review on Consolidation in the Financial Advice and Wealth Management Sector

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Overview

The UKs Financial Conduct Authority ("FCA") today published its multi-firm review of consolidation across the UK financial advice and wealth management sector.

For private equity sponsors, this is the clearest statement yet of how the regulator intends to supervise buy-and-build models. The FCA has not introduced new rules, but it has drawn a line under the light-touch phase of this market. Leverage, integration and governance standards will now be tested to institutional levels.

Proskauer has been advising across most of the major sponsor-backed consolidators this year, supporting clients through change-in-control applications, capital structuring and Consumer Duty implementation. We have seen first-hand how the regulator's tone has hardened through 2025 - today's review formalises that position.

Key FCA Findings

The FCA acknowledges that private capital has modernised much of the sector - improving technology, operational discipline and client choice - but warns that growth without governance has created avoidable risks.

The main areas of concern:

- **Debt and capital resilience:** The FCA identified cases of holding-company leverage and cash upstreaming from regulated entities to meet parent debt service. Regulators view this as incompatible with prudential resilience.
- **Fragmented governance:** Some groups have expanded faster than their control frameworks, with boards lacking the independence and risk oversight expected of complex organisations.

- **Integration risk:** Inconsistent due diligence and slow post-deal alignment haveled to client disruption and uneven advice standards.
- **Conflicts of interest:** Incentives linked to in-house products or adviser AUM growth targets were highlighted as potential Consumer Duty breaches.

The FCA's expectation is simple: if private equity sponsors wish to continue consolidating, they must demonstrate the same financial and operational discipline as a regulated institution.

Implications for Private Equity Investors

The review formalises what we have already been seeing in practice. Throughout 2025, several transactions were delayed, repriced or made conditional on refinancing or governance upgrades. The trend is uneven, but the direction is clear.

For sponsors and management teams, the main implications are:

- **Financing discipline:** Keep acquisition debt at the holding level. Regulated subsidiaries should not guarantee, secure or fund parent obligations. Lenders will need to align with this expectation.
- **Governance and oversight:** Boards should include experienced independent directors, dedicated risk committees and MI that consolidates exposure across adviser networks.
- **Integration as a regulatory deliverable:** The FCA now treats post-acquisition integration as evidence of consumer protection. Firms should demonstrate how they migrate systems, align remuneration and monitor outcomes post completion.
- **Consumer Duty and culture:** Client communications, suitability reviews and fee harmonisation must all show continuity of good outcomes during and after a transaction.
- **Conflicts:** Review and remove product-based incentives in both adviser pay and earn-out structures. Transparency and fair value assessments are now essential.

Market Outlook

Private equity remains central to the evolution of UK wealth management. The FCA's intervention does not close the market; it provides a clearer framework for credible growth.

Sponsors with robust capital structures, experienced leadership and disciplined integration processes will continue to gain approvals and attract capital. Those relying on leverage and light governance will find deal execution slower and valuations lower.

We expect a short period of adjustment as the FCA applies its new baseline, followed by renewed deal flow once credible operators demonstrate compliance readiness. Integration quality and Consumer Duty delivery are fast becoming valuation drivers in their own right.

Proskauer View

This is a welcome development for serious investors. The FCA has set higher expectations but also removed uncertainty. Capital will continue to flow into the sector - just with greater scrutiny and higher standards.

Our cross-practice team has been at the forefront of this evolution throughout 2025, advising on:

- Acquisition structuring and refinancing for regulated platforms;
- Change-in-control submissions and regulatory engagement;
- Integration playbooks aligned to Consumer Duty; and
- Governance and board design for multi-entity groups.

We expect the most successful consolidators in 2026 to be those that treat compliance and governance as core to their investment thesis, not a box to tick.

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