CONSOLIDATION CONUNDRUM: THE CURRENT STATE OF PLAY

Wednesday 26 February (0800-1000) at the SEI Alphabeta Building, 14-18 Finsbury Square, London EC2A 1BR

Overview:
This series, hosted by SEI, provides a platform for CEOs and COOs to network, share best practice and work through the challenges they are grappling with on a day-to-day basis, under Chatham House rules.

In this session, Gilly Green, Director at FoxRed Insight and Donald Reid, Founder, Solve Partners, presented advance insights from their ongoing research report - Consolidation in UK Wealth Management.

Introduction:

The wealth management sector is undergoing significant transformation, driven by geopolitical shifts, economic uncertainty, regulatory changes, and technological advancements. The impact of Private Equity (PE) in accelerating consolidation has been profound, with firms seeking efficiencies, synergies, and improved client outcomes.

Headlines:

1. As private equity-backed firms continue to expand, ensuring alignment with relationship-driven wealth management models is essential to avoid misalignment and negative client outcomes
2. Adviser attrition remains a key risk in M&A activity, making cultural alignment, effective communication, and well-structured compensation models crucial for long-term success
3. With the FCA increasing its focus on liabilities, acquisitions, and advice gaps, firms must prioritise compliance and due diligence to navigate evolving regulatory pressures
4. While digital transformation enhances investment propositions and operational efficiencies, firms must ensure clients understand the benefits to maintain trust and engagement
5. Long-term stability in wealth management depends on investing in internal talent, leadership alignment, and adviser retention strategies to ensure continuity and growth

Discussion points:

Private equity & consolidation trends

The FCA is encouraging prudent consolidation to ensure positive customer outcomes. The assets under management (AUM) of private equity-backed firms spiked in 2024. However, private equity firms have varying levels of understanding when it comes to wealth management, which is a relationship-driven sector rather than a purely financial model.

Acquiring firms must take responsibility for educating private equity owners on the nuances of the sector.

While some private equity firms add strategic value, misalignment can lead to poor outcomes, particularly when financial motivations are prioritised over long-term client relationships.

Client impact & value proposition

Clients benefit from consolidation through enhanced investment propositions, while technological advancements improve access to wealth managers, though firms must clearly articulate the value of the acquisition to their clients.

Consumer Duty mandates require firms to ensure transparent pricing and client-centric services.

Vertical integration and the shift from active to passive investment strategies help reduce costs, and regulatory compliance upgrades are generally seen as a net positive for clients. However, a key concern remains clients' access to advisers post-consolidation, which is critical for maintaining client trust and retention.

Integration & adviser retention challenges

Adviser attrition poses risks to client relationships and firm stability.

Effective communication and buy-in from advisers are crucial to successful integration.

Pre-deal alignment between acquiring and acquired firms significantly improves outcomes.

Compensation structures must address those who do not directly benefit from M&A deals, while incentivisation strategies for key talent are essential for long-term stability.

Firms that prioritise culture and leadership alignment tend to experience smoother transitions.

Regulatory landscape & compliance pressures

Increasing compliance burdens are affecting operational costs and efficiencies.

The advice gap remains unresolved, raising the possibility that ongoing revenue models may require reassessment.

Operational model & technological integration

Firms continue to struggle with integrating platforms, CRM systems, and data management.

Due diligence on operational models is often conducted too late in the acquisition process, leading to inefficiencies.

Rising compliance costs and cybersecurity concerns require proactive management while standardising platforms and processes is essential for scaling efficiency.

Adviser succession planning and internal talent development are becoming increasingly critical for long-term sustainability.

AI-driven solutions are emerging as key differentiators in both client experience and back-office efficiency.

Key takeaways:

- Private Equity's influence in wealth management is undeniable but requires better alignment with relationship-based client servicing models
- Successful acquisitions focus on clear integration strategies, cultural alignment, and adviser retention
- Regulatory scrutiny is intensifying, necessitating increased compliance personnel, process, reporting, and system considerations and investments
- Clients benefit from technological advancements and enhanced investment propositions, but value must be clearly communicated
- Adviser succession planning and internal talent development are critical for long-term industry stability
- Operational efficiencies and due diligence on technology integration need to be prioritised pre-deal to avoid unexpected costs
- AI and digital transformation are reshaping the competitive landscape, offering both opportunities and risks

GOING FORWARD

If you have any other areas which you would like to discuss with the group, please see details as follows:
Owen James Group – John Hall johnhall@owenjamesgroup.com James Goad jamesgoad@owenjamesgroup.com