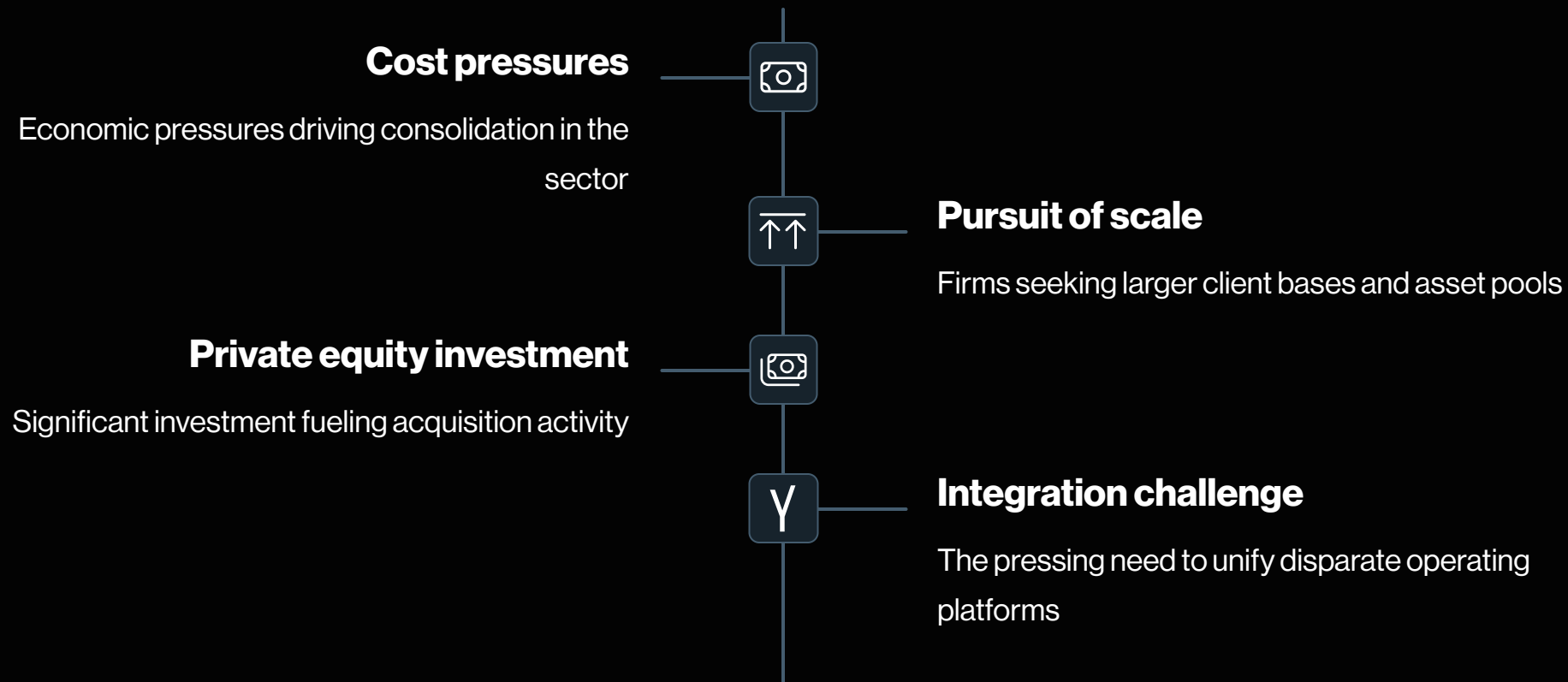


**It's time for consolidators to get serious about
tackling integration**

The consolidation landscape

The UK wealth management sector has experienced significant consolidation in recent years, driven by cost pressures, an ageing adviser population, the pursuit of scale, and private equity interest. Whilst the trend shows limited signs of slowing, recent activity has resulted in larger entities with the responsibility of servicing large numbers of clients and substantial assets. However, a critical challenge is becoming a pressing imperative and requires more focused attention than it may have had to date: the integration of acquired businesses onto unified operating platforms.



Regulatory scrutiny

The Financial Conduct Authority (FCA) is increasingly focused on this area, as evidenced by its announced review of consolidators. And in particular, a focus on private equity owners and the levels of debt they have used to fund acquisitions. This scrutiny highlights a concern regarding the financial resilience of these groups and the potential implications for market stability and consumer interests.

The FCA's objectives extend beyond financial oversight. The review aims to evaluate whether the business models of these firms are sustainable and deliver good outcomes for consumers. This underscores a clear regulatory expectation that consolidation should ultimately enhance client value, not just drive shareholder returns.

Financial resilience

Scrutiny of debt levels used to fund acquisitions and concerns about overall financial stability

Business model sustainability

Evaluation of whether consolidated firms can maintain viable operations long-term

Consumer outcomes

Focus on ensuring consolidation enhances client value rather than being focused solely driving shareholder returns

Integration challenges

One of the primary areas of scrutiny will be the operational efficiency and resilience of consolidated groups. For these groups the landscape often comprises disparate systems, varied processes, and distinct organisational cultures inherited from multiple acquired firms. It's clear to see how a lack of integration can lead to several issues:



Reduced efficiency and increased costs

Maintaining separate platforms drags on the realisation of anticipated benefits, resulting in higher operating costs, impacts to profitability and service levels. This will become increasingly relevant given the debt obligations many consolidators have incurred to finance their acquisitions, a central point of the FCA's current focus.



Elevated operational risk

Managing multiple legacy systems increases complexity and the potential for errors, impacting service delivery and potentially client outcomes. With the focus of the FCA clear on this matter, firms that do not demonstrate proactivity in resolving the root causes of errors, or operational sludge, do so at their own risk.



Inconsistent client experience

Divergent platforms can lead to variations in service levels, reporting, and communication for clients within the same consolidated group. Whilst this might not be a clear and present danger before brands are merged, as they are centralised over time, failing to address these issues will damage trust and cause dissatisfaction.



Challenges in regulatory compliance

Navigating diverse systems and processes can complicate the consistent application of regulatory requirements, including the Consumer Duty, across the entire group, increasing the risk of regulatory intervention and potential penalties.



High friction data aggregation and analysis

Without a unified platform, obtaining a comprehensive view of client data for reporting, risk management, and trend identification becomes significantly more complex, hindering firms' ability to deliver tailored service and advice and proactively identify potential issues.

Regulatory expectations

The FCA's proactive stance signals a clear expectation for consolidators to progress beyond acquisition and prioritise shifting towards integrated and efficient operating models whilst also demonstrating financial resilience. The FCA is also examining the potential for conflicts of interest and whether firms are acting in clients' best interests. This reinforces the need for robust, integrated systems capable of consistently demonstrating fair client outcomes across the entire group.



The art of the possible

Achieving the benefits of consolidation requires a significant commitment of time, resources, and strategic focus. However, the benefits of a successfully executed integration programme are considerable:

Enhanced efficiency and reduced costs

A unified operating platform streamlines processes, eliminates complexity, and lowers technology and administrative overheads, improving profitability and freeing up capital for further strategic investment.

Increased stability and resilience

Integrating operations onto a robust, common platform enhances the overall stability and resilience of the consolidated group, better positioning it to navigate market challenges and regulatory changes.



Improved client outcomes

Consistent systems and processes enable a more uniform and higher quality of service delivery, leading to enhanced client outcomes and stronger relationships.

Stronger regulatory compliance

A consolidated platform facilitates the consistent implementation of controls and processes across the group, simplifying adherence to regulatory obligations and demonstrating a commitment to positive client outcomes.

Enhanced data insights

A common platform supports the aggregation and analysis of client data, enabling firms to gain deeper insights, personalise advice more effectively, and identify opportunities or risks more readily.

Taking a strategic approach to integration

A foundational step in addressing the challenge involves a thorough evaluation of the operational landscape across all acquired entities that goes beyond deal level due diligence. This requires a detailed assessment of existing technology infrastructure and processes, specifically against the ability to support strategic objectives of the consolidated group.

Understanding the current state and identifying the capabilities and limitations of the diverse platforms in current use is crucial. This needn't be an onerous exercise and tapping into the knowledge and experience of a third party and re-using pre-deal due diligence as a starting point can help accelerate the process for firms.

This analysis will be key for informing the selection of an appropriate strategic platform and operating model capable of supporting desired strategic outcomes - or it may well highlight the need to look externally for appropriate solutions and potentially new operational partners.

This initial phase of due diligence and assessment is not merely a technical exercise; it forms the base for developing a strategic programme of change that shows a clear actionable path to achieving integrated operations and ultimately realising the benefits of consolidation - ensuring both financial stability and improved client outcomes in an increasingly scrutinised regulatory environment.



Operational assessment

Evaluation of existing systems and processes across all acquired entities - leveraging pre-deal DD where possible



Strategic platform selection

Identifying the optimal technology and operational solution(s) to support consolidated operations



Change programme development

Creating a comprehensive roadmap for integration execution, supported by a commercial business case



Integration execution

Implementing the unified platform while maintaining business continuity and delivering incremental improvements

Unlocking the value of consolidation

Realising the full potential of your acquisitions requires a clear vision and a strategic approach to platform integration. Our team specialises in helping wealth and asset management firms assess their current operational environment, define target operating models, and deliver the programmes of change that drive efficiency and improve client experience. If you're looking to accelerate your integration journey and unlock the true value of your consolidated business, we're here to help.

Operational assessment

Comprehensive evaluation of your current systems, processes, and integration challenges

Target operating model

Definition of your ideal future state with unified platforms and streamlined operations

Strategic roadmap

Development of a practical, phased approach to achieving your integration goals

Implementation support

Expert guidance and resources to execute your integration programme successfully

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