



Consolidation, Consumer Duty and the future of advice:

A moment of choice for IFAs

The UK financial advice market is undergoing a profound period of change. Consolidation is accelerating, driven by succession challenges, increasing regulatory expectations, and the rising cost of technology and compliance. The FCA reports that the number of authorised advice firms has fallen by 15% since 2021, while adviser numbers have remained broadly stable at around 31,000. Large advice groups now represent just 1% of firms but advise on around half of all client assets.

Yet, as the market evolves, a more fundamental question is emerging: how well do some of these consolidation models align with the FCA's focus on delivering the best outcome for the client under Consumer Duty?

The Consumer Duty sets a clear expectation that firms must act to deliver good outcomes for retail customers. The regulatory lens has shifted from process to outcome. The question is no longer whether a firm followed the right procedures, but whether customers had good advice which led to the right results for them and their finances. Firms also need to prove this consistently, by way of evidence.

1. The tension between Consumer Duty and commercial models

Consumer Duty is not a compliance exercise. Firms are expected to proactively identify risks of harm and act before issues emerge, supported by data and governance oversight.

Many consolidator models are backed by private equity, operating within defined investment horizons. But while these structures bring capital and

scale, they can also introduce pressures linked to growth targets, return expectations and exit timelines.

For advisers, this creates a potential tension. Commercial outcomes can be closely tied to short-term performance. This means there is a risk that behaviour might be influenced by factors beyond pure client need. This becomes increasingly relevant in a market where concentration continues to increase and ownership structures become more complex.

Partnership-based models such as St. James's Place offer a different structure. With an internal buyer and seller ecosystem, advisers are not reliant on a single externally driven exit event, allowing for more flexible and client-led succession planning.

2. Earn-outs and behavioural influence

Earn-out structures are a common feature of advice firm sales, linking part of the valuation to future performance metrics such as funds under management and recurring advice fee revenue.

It makes sense for the business, but these structures influence behaviour. Where value is contingent on meeting targets within a short timeframe, advisers may feel pressure to prioritise growth or retention over the pacing and judgement required for truly client-led advice.

This is particularly relevant in a Consumer Duty environment, where firms must assess, test and show evidence for customer outcomes. They can't fall back on traditional metrics such as sales or complaints.

In a partnership model such as SJP, succession can be separated from these short-term performance pressures. Businesses align ahead of exit, allowing advisers to focus on long-term client outcomes rather than short-term valuation hurdles.

3. Integration, operational disruption and ownership cycles

Integration is one of the most challenging aspects of consolidation.

Combining systems, processes and cultures can take significant time, and the disruption can directly impact the service for clients.

The FCA has warned firms of these issues, and the problems for clients, when consolidation isn't managed well.

A further consideration is the lifecycle of private equity ownership itself. According to industry analysis referenced in recent market commentary, around 52 private-equity-backed platforms now operate across the UK wealth market, with approximately 26 PE-backed platforms representing around £200bn of client assets expected to approach exit by the end of 2027.

In practice, this means one transaction can become another. Advisers who sell into a consolidator may find themselves part of subsequent transactions as ownership changes hands again. While each transaction may bring new opportunities, it can also bring changing priorities, revised strategic direction, evolving terms and conditions, and less influence for advisers who may now be employees within a larger organisation.

For clients, the impact can be equally significant. Multiple ownership changes can mean new brands, new systems, new communications and new ways of working. Each change may be well-intentioned, but clients are required to repeatedly adapt.

This can have a negative impact on trust and how clients feel about the business and its stability.

Within SJP, advisers operate within an established infrastructure from the outset. When succession occurs within the Partnership, there is no additional ownership cycle or system migration to navigate. The focus can be on preserving client relationships and ensuring continuity of advice.

4. Client continuity and relationships

For most advisers, the most important consideration is what happens to their clients. Consumer Duty places clear emphasis on ongoing support, ensuring customers can continue to pursue their financial objectives throughout their relationship with a firm.

Transactions often include restrictive covenants designed to protect enterprise value. While commercially understandable, they can raise important questions around continuity, choice and the long-term stewardship of client relationships.

In a partnership model, succession is planned with a focus on finding the right successor for clients within an existing framework, helping preserve continuity of service, trust and familiarity.

5. A different way to think about exit

The growth of consolidation reflects real challenges within the profession. Advisers are seeking ways to realise value, reduce operational burden and plan for retirement. However, the structure behind those solutions matters.

The next phase of wealth management may be defined less by acquisition activity itself and more by operational quality: how well firms integrate businesses, retain advisers, maintain client trust, evidence the value of their ongoing service, invest in technology and keep governance in step with growth.

SJP's 2025 review reported £220bn of funds under management, £21.9bn of gross inflows, £6.2bn of net inflows and client retention of 94.9%. However, the relevance of these figures is not scale alone. The key point is the combination of scale, stability, adviser relationships, succession support and long-term client continuity.

Advisers should ideally be thinking about succession at least five years in advance, and often closer to ten, considering not just the value they wish to realise from the business, but the experience they want for their clients, their team and themselves.

In doing so, the focus shifts from “How do I sell?” to “What does a good outcome look like for everyone involved?” That question may become increasingly important as the advice market enters its next phase.

References

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