

CASE STUDY

IFA ACQUISITION DUE DILIGENCE: HELPING BUYERS NAVIGATE REGULATORY RISK

Due Diligence

When a large IFA firm set out to acquire a smaller regulated business, they turned to Thistle Initiatives for expert acquisition due diligence. From early 'red flag' reviews to in-depth compliance analysis and post-deal remediation, our team helped ensure the transaction was completed with confidence, clarity, and regulatory assurance.

The Challenge

In any acquisition, it is vital that the acquiring company understands precisely what regulatory risk the proposed purchase could entail. Thistle Initiatives frequently undertakes acquisition due diligence work on FCA regulated target firms to help prospective acquirers understand just that.

On this occasion, Thistle Initiatives was approached by a large IFA firm to carry out due diligence on another smaller IFA business it was looking to acquire.

Step One: Rapid Review

Once the buyer had engaged Thistle Initiatives and introduced our team to the target firm, and the relevant non-disclosure documents had been signed, we set about requesting and reviewing a sample of the target's client files, in particular, those involving pensions advice, to form a high-level view on how it did business. Finding no serious cause for concern, we submitted a cautiously positive initial report to the buyer.

Based on this, the buyer instructed Thistle Initiatives to proceed to a comprehensive compliance due diligence review of the firm's regulated activities.

Step Two: Full-Scope Acquisition Due Diligence

We requested data and documentation across a wide range of areas, including its compliance monitoring plan, policies and procedures, wider systems and controls, and its regulatory correspondence.

Amongst other things, we audited the target firm's internal governance and its systems and controls against what the FCA currently expects. We also looked at its technology governance and systems and controls and how well these reflected the regulator's current expectations - particularly in terms of any vulnerability to financial or cybercrime.

We mapped the activities the firm carried out against its regulatory permissions, verified all returns made to the FCA and the firm's compliance with Prudential Regulation, and reviewed the responsibilities and roles for all those in Senior Management Functions roles as defined in the Senior Managers and Certification Regime (SM&CR).

Following this initial compliance due diligence exercise, we requested additional documentation in a number of areas where we had queries or concerns. Our compliance experts also conducted interview meetings with senior managers and certification staff to find out more about certain aspects of the target firm's practices and operations.

Having gathered, assimilated and assessed this additional information, Thistle Initiatives' acquisition due diligence team then presented its findings to the buyer in the form of a red-green-amber (RAG) report, with detailed accompanying commentary, indicating our experts' view on the target firm's compliance status, both in aggregate and across multiple specific activities.

The Outcome: Confidence in the Deal

On the basis of Thistle Initiatives' RAG report, the buyer recognised that there were a number of areas in which the target firm's compliance standards needed some attention but was reassured by what we found in other areas. As a result, it decided to move ahead with the acquisition.

As part of the sale process, Thistle Initiatives was then engaged to carry out a multi-strand implementation project to address the various shortcomings in the target firm's compliance profile that had been identified during the acquisition due diligence exercise.

The Result

The result was that the acquiring company was able to complete the purchase - with further assistance from Thistle Initiatives on its FCA Change of Control application - well within its target timescales, secure in the knowledge that it would be unlikely to encounter any unexpected compliance issues or liabilities once the deal had been concluded.

About Thistle Initiatives

Thistle Initiatives is a compliance services provider with extensive experience in the investments and IFA space. We have a long track record of assisting UK regulated firms with acquisition projects. Since Thistle Initiatives was established in 2012, we have carried out regulatory due diligence on hundreds of FCA regulated businesses.



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Dorian joined Thistle Initiatives in 2019 and now leads the firm's M&A workstream. He has over 30 years' experience in banking and financial services, with a particular focus on regulated financial advice. In addition to his degree in Economics and Business Administration, he is Level 4 and Level 6 adviser-qualified, including pension transfer advice. A Chartered Fellow of the CISI, he has previously held FCA Control Function positions (CF10, CF11, and CF30) at various firms, including fund managers and advisers.