

MPA FINANCIAL MANAGEMENT LTD

STRATEGIC OPPORTUNITY ASSESSMENT

Six-Adviser Team Acquisition

Financial, Operational & Legal Analysis

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1. Executive Summary

An opportunity has arisen to recruit six experienced financial advisers from a competitor firm undergoing a change of ownership. The advisers would join as employed advisers under MPA's agency, bringing approximately **£4,900,000 in combined annual revenue** across individually strong client banks managed entirely on AJ Bell.

The compensation structure (£100k base salary plus 20% of revenue above a £200k validation threshold) means **no variable pay is triggered until each adviser has individually billed £200k**. With only three advisers billing in the first six months (due to non-compete restrictions on the other three), MPA's monthly fixed cost exposure is approximately **£93,750** against estimated monthly revenue of £152,000 - £187,000. The deal is cash positive from Month 1.

At steady state with 90% client retention, net annual contribution is estimated at **£2.2m**. The breakeven client retention rate is just **45%**. Critical issues requiring resolution: non-compete enforceability and the ceding firm's litigation appetite; fee structure alignment (their fixed fee model could be retained subject to collection mechanics); and operational readiness.

2. Opportunity Overview

2.1 Background

The advisers are currently employed at a firm that has recently been acquired. The acquisition has created significant dissatisfaction, and six advisers have indicated a willingness to move. They are seeking strong paraplanning, compliance, suitability, and administrative support.

2.2 Individual Adviser Breakdown

Revenue figures are based on current client bank income. Advisers A-C are believed to be unrestricted; D-F are subject to potential non-compete clauses.

Adviser	Annual Revenue	Status	Variable Pay (20% > £200k)	Total Comp	Net to MPA
A	£1,100,000	Unrestricted	£180,000	£280,000	£820,000
B	£900,000	Unrestricted	£140,000	£240,000	£660,000
C	£750,000	Unrestricted	£110,000	£210,000	£540,000
D	£750,000	Restricted	£110,000	£210,000	£540,000
E	£750,000	Restricted	£110,000	£210,000	£540,000
F	£650,000	Restricted	£90,000	£190,000	£460,000
Total	£4,900,000		£740,000	£1,340,000	£3,560,000

Note: 'Net to MPA' is revenue minus total adviser compensation only. Support infrastructure and overheads are deducted separately below. All figures assume 100% client retention - scenario modelling follows.

2.3 Validation Threshold & Variable Pay Timing

Each adviser must individually generate **£200,000 in revenue** (2x base salary) before any variable pay is triggered. This has a significant positive effect on MPA's cash position in the early months:

Adviser	Monthly Revenue (est.)	Month Threshold Hit	Variable Pay Starts
A (£1.1m)	£91,667	Month 3	Month 3
B (£900k)	£75,000	Month 3	Month 3
C (£750k)	£62,500	Month 4	Month 4
D (£750k)	£62,500	Month 10	Month 10
E (£750k)	£62,500	Month 10	Month 10
F (£650k)	£54,167	Month 11	Month 11

Key insight: In Months 1-2, MPA pays only base salaries with zero variable pay exposure. Even for the unrestricted advisers, variable pay doesn't begin until Month 3-4. For the restricted advisers (who don't start billing until Month 7), variable pay doesn't begin until Month 10-11. This creates a substantial cash buffer in the early phase of the deal.

3. Critical Concerns

3.1 Non-Compete Clauses, Client Ownership & Litigation Risk

This is the single biggest risk to the deal.

Three advisers (D, E, F) are believed to be subject to non-compete or non-solicitation restrictions. The precise terms have not yet been reviewed.

Key questions to resolve:

- Is the restriction a non-compete or a non-solicit? A non-compete prevents the adviser from working in the industry entirely. A non-solicit only prevents proactive client approaches - clients are free to contact the adviser. This distinction is critical.
- What is the duration? 3 months, 6 months, 12 months?
- What is the geographic scope? UK-wide restrictions are far harder to enforce than local ones.
- Who owns the client relationship? The employer will argue clients belong to the firm. In financial services, UK case law increasingly favours the view that the relationship is personal to the adviser.
- Are the contracts signed? Unsigned contracts containing restrictive covenants are extremely difficult to enforce.

UK legal position:

Under English law, restrictive covenants are presumed void unless the employer demonstrates they are no wider than reasonably necessary. The burden of proof is on the former employer.

In *Quilter Private Client Advisers Ltd v Falconer*, the High Court found a nine-month non-compete and 12-month non-solicitation clauses **too wide to be enforceable**. The court criticised the mismatch between a short probationary notice period and lengthy post-termination restrictions, and noted the restrictions applied to clients the adviser had never met.

The UK Government published a working paper in February 2026 proposing to limit non-compete duration to three months. While not yet legislated, this signals judicial direction.

Courts have recognised that in financial services, it may not be appropriate for members of the public to be deprived of their trusted adviser because of a covenant. This is a strong argument where relationships are long-standing and personal.

The ceding firm's litigation capacity:

The acquiring firm will likely have deeper pockets than MPA. They may pursue enforcement even where prospects are uncertain, to create delay and deterrence.

- Interim injunction defence: £30,000 - £75,000
- Full proceedings to trial: £100,000 - £250,000+
- However, the ceding firm must evidence both enforceability AND loss. If clients move of their own accord without solicitation, there is no loss to demonstrate.
- Reputational risk to the ceding firm of pursuing litigation - particularly while trying to retain remaining staff - should not be underestimated.

MPA's risk mitigation:

1. **Obtain the actual contracts immediately.** No further steps until wording is reviewed by employment law counsel.
2. **Engage specialist employment solicitors.** Budget £5,000 - £10,000 for initial review.
3. **Distinguish non-compete from non-solicit.** If non-solicit only, advisers can join immediately - they simply cannot proactively approach clients.
4. **Do not put restricted advisers on payroll until restrictions expire or are assessed as unenforceable.** This eliminates the cash drag of £50,000/month for three advisers generating no revenue.
5. **Prepare for litigation.** Build a £50,000 - £100,000 defence fund. Consider whether advisers themselves would contribute.
6. **No client data leaves the ceding firm.** The Quilter case confirmed that copying client information to personal devices breaches implied duties of fidelity, even where the covenants themselves are unenforceable.

3.2 Fee Structure Alignment

The advisers currently charge on a **fixed fee basis**. MPA's standard model is **percentage-based ongoing adviser charges**. This is a material difference requiring resolution.

- Fixed fees may be lower or higher than MPA's charges depending on portfolio size.
- Moving clients from fixed to percentage-based fees could trigger a suitability concern under Consumer Duty.
- MPA's compliance framework will need to accommodate both models, at least during transition.
- Subject to how the fee is collected and administered, there is scope to retain the advisers' existing fixed fee structure for their current clients. This would minimise disruption and protect client retention during the transition period.

Options:

7. **Retain fixed fees for existing clients** - subject to how fees are collected and administered, we could look at remaining on this basis for their current client bank. Operationally more complex but lowest attrition risk and smoothest transition.
8. **Migrate to MPA's percentage model over time**, client by client during annual reviews. Requires suitability justification per client.
9. **Hybrid approach** - existing clients remain on fixed fees; new business goes onto MPA standard terms.

Recommendation: Retain their existing fixed fee basis for current clients where practical, subject to platform and collection mechanics. New business written under MPA should follow MPA's standard fee structure. Migration can happen naturally over time where it represents better value for the client.

3.3 Operational Readiness

The advisers are leaving specifically because they want strong operational support. Any shortfall will undermine the proposition and risk losing the team.

- Paraplanning: Two additional paraplanners needed, recruited and trained before advisers join. MPA's Orbits tools and Saturn AI should help scalability.
- Compliance: Additional compliance officer (£40k) required for increased file checks, suitability reviews, and monitoring volume.
- Client services: Five new CSAs at £30-40k. Must be high calibre to match service expectations.
- Adviser Manager: A dedicated Adviser Manager (£100k) is essential to oversee the integration and ongoing management of the team. This role is critical to ensuring cultural alignment, performance management, and day-to-day leadership of six advisers who are new to the firm.
- Financial Controller (part-time): An additional finance resource is required to manage the increased volume of fee reconciliation, adviser remuneration calculations, and financial reporting. A part-time Financial Controller working approximately 3 days per week (c.£30k) would provide the necessary accounts support without over-committing to a full-time hire at this stage.
- IO configuration: AJ Bell integration, client data migration, workflow setup - significant piece of work.
- Suitability templates: Align with MPA's ongoing redesign project or accommodate existing templates during transition.
- Technology onboarding: CashCalc, DocuSign, Saturn AI, Orbits - structured programme needed.

Recommendation: Complete a detailed process gap analysis before any offer is made. The initial meeting should include a candid discussion of operational expectations.

4. Financial Analysis

4.1 Support Infrastructure Costs

Role	Headcount	Salary (Each)	Total
Client Services Administrators	5	£30,000 - £40,000	£175,000
Paraplanners	2	£40,000 - £50,000	£90,000
Adviser Manager	1	£100,000	£100,000
Compliance Officer	1	£40,000	£40,000
Financial Controller (3 days/wk)	1	£30,000	£30,000
Office, Tech, Licences, PI	-	-	£90,000
Total Infrastructure	10		£525,000

4.2 P&L by Retention Scenario (Steady State)

Line Item	Optimistic (100%)	Base Case (90%)	Pessimistic (75%)
Revenue	£4,900,000	£4,410,000	£3,675,000
Adviser Base Salaries (6)	(£600,000)	(£600,000)	(£600,000)
Adviser Variable Pay	(£740,000)	(£642,000)	(£495,000)
Support & Infrastructure	(£525,000)	(£525,000)	(£525,000)
Overheads (est. 10%)	(£490,000)	(£441,000)	(£367,500)
Net Contribution	£2,545,000	£2,202,000	£1,687,500
Net Margin	51.9%	49.9%	45.9%

Variable pay at 90% retention: A: £158k, B: £122k, C: £95k, D: £95k, E: £95k, F: £77k = £642k total.

4.3 Monthly Fixed Cost Exposure

Before any variable pay kicks in, MPA's total monthly cost commitment is:

Cost Category	Annual	Monthly
Adviser Base Salaries (6)	£600,000	£50,000
Client Services (5)	£175,000	£14,583
Paraplanners (2)	£90,000	£7,500
Adviser Manager	£100,000	£8,333
Compliance Officer	£40,000	£3,333
Financial Controller (3 days/wk)	£30,000	£2,500

Office, Tech, Licences, PI	£90,000	£7,500
Total Monthly Fixed Cost	£1,125,000	£93,750

This is the number that matters in the early months. £93,750 per month is MPA's exposure before any revenue-linked variable pay. Against estimated revenue of £152,000 - £187,000/month from three unrestricted advisers, MPA is cash positive from day one.

4.4 Month-by-Month Cash Flow (Base Case - 90% Retention)

This model assumes: Advisers A, B, C start Month 1 (unrestricted). Advisers D, E, F start Month 7 (after 6-month restriction). Restricted advisers are NOT on payroll during restriction. Revenue builds linearly. Variable pay only triggers once individual £200k threshold is met.

Month	Revenue	Adviser Base	Variable Pay	Support/OH	Monthly P&L	Cumulative
1	£187,500	£25,000	£0	£43,750	+£118,750	+£118,750
2	£187,500	£25,000	£0	£43,750	+£118,750	+£237,500
3	£187,500	£25,000	£23,000	£43,750	+£95,750	+£333,250
4	£187,500	£25,000	£32,000	£43,750	+£86,750	+£420,000
5	£187,500	£25,000	£32,000	£43,750	+£86,750	+£506,750
6	£187,500	£25,000	£32,000	£43,750	+£86,750	+£593,500
7	£337,500	£50,000	£32,000	£43,750	+£211,750	+£805,250
8	£337,500	£50,000	£32,000	£43,750	+£211,750	+£1,017,000
9	£337,500	£50,000	£32,000	£43,750	+£211,750	+£1,228,750
10	£337,500	£50,000	£50,000	£43,750	+£193,750	+£1,422,500
11	£337,500	£50,000	£53,500	£43,750	+£190,250	+£1,612,750
12	£337,500	£50,000	£53,500	£43,750	+£190,250	+£1,803,000

Key findings:

- Months 1-2: Zero variable pay. MPA receives £187,500/month revenue against £68,750 costs (3 adviser salaries + support). Surplus of £118,750/month.
- Months 3-6: Variable pay begins for A, B, C as they cross £200k threshold. Monthly surplus reduces slightly but remains strongly positive at c.£87-96k/month.
- Month 7: Restricted advisers join. Revenue jumps to £337,500/month. Additional £25,000/month in base salaries, but no variable pay for these advisers yet. Monthly surplus increases to £211,750.
- Months 10-11: Restricted advisers cross their £200k thresholds. Variable pay increases. Monthly surplus settles at c.£190-194k.
- Year 1 cumulative net contribution: approximately £1.80m.

Important caveat: If restricted advisers are placed on payroll during the restriction period (£25,000/month for 3 advisers, Months 1-6), this reduces cumulative Year 1 contribution by £150,000 to approximately £1.65m. The board should consider whether a reduced retainer or deferred start is more appropriate.

4.5 Breakeven Analysis

Total fixed costs (all salaries, support, overheads excluding variable pay) are approximately £1,125,000. Factoring in the variable pay structure, breakeven revenue is approximately **£2,200,000**, equating to a breakeven retention rate of approximately **45%**.

Scenario	Revenue	Retention	Assessment
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Breakeven	£2,200,000	45%	Comfortably exceeded
Pessimistic	£3,675,000	75%	Strong contribution
Base Case	£4,410,000	90%	Highly profitable
Optimistic	£4,900,000	100%	Maximum return

MPA would need to lose over 55% of the revenue before this becomes loss-making. Given industry retention evidence, this is considered extremely unlikely.

5. Client Retention - Industry Evidence

5.1 General Retention Rates

- Average financial adviser client retention in steady state: 95-97% per annum (Charles Schwab, McKinsey).
- UK IFA firms routinely report 95-98% retention in acquisition contexts.
- 20-25% of clients leave within the first two years of a new relationship - but this relates to new relationships, not established ones transferring with their adviser.

5.2 Retention During Adviser Transitions

- Well-executed transitions achieve 86-90%+ retention, with some advisers reporting over 94%.
- Advisers switching firms typically lose 18-22% of assets. Those with strong relationships consistently retain above 90%.
- The gap between 86% and 94%+ is attributable to transition quality, not relationship strength.

5.3 Factors Specific to This Case

Favouring higher retention:

- Incredibly strong, relationship-driven client books.
- All assets on AJ Bell - no re-platforming friction.
- Voluntary departure allows controlled transition.
- The selling firm's own acquisition creates client uncertainty, making them receptive to following their adviser.

Risks to retention:

- 6-month gap during non-compete period with no adviser contact.
- Active counter-solicitation by ceding firm.
- Any future re-platforming away from AJ Bell.

Conclusion: 90% is reasonable and potentially conservative. The 45% breakeven provides a substantial margin of safety.

6. Platform Considerations

All assets are on AJ Bell. MPA operates Aberdeen, Quilter, and Transact.

10. **Retain on AJ Bell** - minimal disruption, fastest revenue path, adds fourth platform.

11. **Migrate to MPA platforms** - strategic alignment but carries transfer risk.

Recommendation: Retain on AJ Bell short term. Explore phased migration at 12-18 months.

7. Key Risks & Mitigations

RAG	Risk	Impact	Mitigation
RED	Non-compete enforcement / litigation	£50-250k legal costs; 6-12 month delay	Legal review; stagger starts; build defence fund; distinguish non-compete vs non-solicit
RED	Client data breach during transition	Injunction; damages; regulatory sanction	Strict no-data policy; advisers must not remove any client info
AMBER	Client retention below 75%	Revenue shortfall; fixed costs remain	45% breakeven provides buffer; strong relationships and platform continuity support retention
AMBER	Fee structure misalignment	Consumer Duty risk; client confusion	Hybrid model; retain fixed fees for existing; new business on MPA terms
AMBER	Internal comp tensions	Existing advisers seek renegotiation	Benchmark proactively; justify on revenue basis
AMBER	Recruitment of 9 support staff at pace	Service quality gaps	Begin immediately; temp-to-perm; phase against adviser starts
GREEN	FCA requirements	CF30 notifications	Straightforward under employed model
GREEN	Platform fragmentation	Operational complexity	Manageable; plan migration at 12-18 months

8. Strategic Impact

- Group turnover: c.£5.4m → c.£10.3m. Exceeds £10m target significantly ahead of five-year plan.
- Group FUM: increases by est. £500-700m, pushing total toward £1.5-1.7bn.
- Adviser headcount: rises to c.26, reinforcing Top 100 IFA candidacy.
- Scale supports continued tech investment (Saturn AI, Orbits, Llumor) and M&A positioning.
- Employed model provides clean governance and full compliance oversight.

9. Recommended Next Steps

12. **Obtain restrictive covenant contracts** for all six advisers and instruct employment law solicitors (£5-10k).
13. **Arrange meeting at Henley-in-Arden** - late afternoon session covering operational fit, fee alignment, and expectations, followed by dinner.
14. **Complete process gap analysis** - paraplanning, compliance, client services workflows vs adviser expectations.
15. **Resolve fee structure approach** - confirm hybrid model or alternative.

16. **Benchmark compensation against existing MPA terms** - address internal equity proactively.
17. **Begin recruitment for 10 support roles** (£435k annual; CSAs, paraplanners, Adviser Manager, Compliance Officer, Financial Controller).
18. **Model restricted adviser payroll approach** - full salary during restriction vs reduced retainer vs deferred start.
19. **Build legal defence contingency** - reserve £50-100k.

10. Decision Required

The following approvals are sought:

20. Approve in principle, subject to satisfactory legal review of restrictive covenants.
21. Authorise £5,000 - £10,000 for employment law advice.
22. Approve contingency reserve of £50,000 - £100,000 for potential litigation.
23. Agree the compensation structure (£100k base + 20% above £200k validation) as basis for negotiation.
24. Approve recruitment for 10 support roles (c.£435,000 annual).
25. Confirm fee structure approach - retain existing fixed fee basis for current clients where practical; new business on MPA standard terms.

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