



# The complete guide to **redress support** solutions

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# Redress without guesswork

**Redress is rarely straightforward – especially in the context of mergers, acquisitions and consolidations.**

When a firm acquires another business, it inherits more than customers, products and systems. It inherits history: past advice, past decisions and crucially, potential liabilities that may only become apparent when you dig into the back book. Understanding what redress may be owed – and how to calculate it accurately – is essential to pricing a deal, managing risk and safeguarding reputation.

The challenge is that the necessary calculations are often complex to perform, based on incomplete data, or context dependent. Legacy products may have been sold under different rules, records may be partial and prior judgements may no longer be consistent with current financial conditions. One-size-fits-all approaches or reliance on intuition alone, can dramatically overstate or understate potential liabilities. This is where structured methodology, rigorous calculation and expert judgement make the difference.



## **Whether you are:**

- ▷ evaluating potential redress exposure before completing a transaction,
- ▷ reviewing historic cases in an existing portfolio,
- ▷ or testing assumptions against regulatory expectations

...the goal is the same: remove uncertainty. Redress must be based on evidence, anchored in defensible principles and able to withstand scrutiny from the regulator, auditor or the courts.

**For consolidators and acquirers, this is not just about compliance. It's about informed decision-making as accurately quantifying risk allows you to value businesses confidently, negotiate effectively and plan remediation in a controlled, scalable way.**



## Why redress needs independent expertise

**Even firms with strong internal capability find redress challenging when acquiring or consolidating businesses.**

Teams that built the original products, sold them or managed complaints are often too close to take a neutral view on what has actually been sold, and therefore, on what benefit has been provided to the customer.

Independent redress specialists deliver expertise that is especially valuable in mergers and acquisitions (M&A) and consolidation contexts:

1. A truly neutral position to assess legacy liabilities objectively
2. Deep technical expertise across product types, legacy benefits, and redress methodologies
3. The ability to defend outcomes if challenged



# Case study

## Acquisition due diligence

*A client negotiating the purchase of an independent financial adviser needed assurance about potential redress liabilities in the back book. Reviewing the entire portfolio was impractical, so the team identified a sample covering both high-risk cases and a representative spread. Using risk factors such as transfer value, date and customer age, a sample of 30 cases was analysed. Incomplete point-of-sale records were supplemented using experience of similar schemes and data from a library of schemes. This pragmatic approach allowed the client to quantify risk and data gaps, providing confidence for pricing and deal negotiation.*

**For acquirers, independence is what makes risk quantification defensible to enable informed deal decisions and avoid costly surprises after completion.**

## Why traditional approaches to redress liabilities fall short

**Redress has become one of the most resource-intensive areas, spanning defined benefit (DB) transfer loss assessments, pension and investment suitability cases and mortgage and equity release reviews.**

Delays or inaccuracies can quickly lead to regulatory challenge, financial exposure and reputational damage.

The FCA has made it clear that firms must quantify their redress liabilities and set aside capital resources through a capital deduction. Many firms still rely on approximate or arbitrary processes to determine resources for the future. Under the Consumer Duty, this is no longer tenable. Firms must show how

potential liabilities were determined and the actions taken to mitigate the impact.



# Valuing DB and other risks as part of acquisitions

As part of due diligence in any sale, it is vital to quantify the potential redress risk being transferred. Due to short timescales, only a limited analysis of the back book is normally possible. Key steps include:

- ▶▶ Identifying a suitable representative sample from the available cases
- ▶▶ Producing calculations of loss based on available data, typically information collated at point of sale
- ▶▶ Providing context for how the loss could vary as financial conditions change. A back book may give rise to no losses under current market conditions, but changes in gilt yields or equity returns could create substantial potential liabilities in the future

We work with firms to select a sample of cases for calculation.

The sample reflects not just the size of the Cash Equivalent Transfer Value (CETV) but also the date of transfer (older transfers are more likely to generate losses) and representation of different cohorts in the population, for example, males aged 50–55 at date of transfer.

Provisional calculations are based on the best available data, without further data gathering. Primary data, such as benefit statements from the ceding scheme, is used first, supplemented by our library of scheme information. Where necessary, secondary sources such as Transfer Value Analysis Service (TVAS) reports are used.

Once results are compiled, we provide sensitivity analysis to illustrate potential liability should gilt yields or other market conditions change. This allows acquirers to understand the future risk embedded in a portfolio.

## Evidence not intuition

Redress is ultimately a question of proof: what can be evidenced, and how reliable is that evidence?

When reviewing a target firm's back book or historic complaints, evidence is often incomplete. Files may be partial; systems may have changed and past judgments may have applied formulas that are inconsistent or unfair. That is when method, not opinion, matters.

Independent specialists know how to construct fair calculations using:

- ▶▶ Representative sampling to quantify liabilities across incomplete portfolios
- ▶▶ Actuarial techniques and proxies to handle gaps in data
- ▶▶ Legally defensible assumptions when full evidence is unavailable



# Case study

## Equity release redress

*A major high street bank discovered past issues with equity release sales. The bank needed to recalculate redress for several thousand impacted customers. The team built a calculator reproducing actual mortgage cash flows and generating a notional mortgage reflecting what should have happened. Fees and payments were rolled forward to identify refunds due. Extensive testing ensured accuracy to within a 10p tolerance. The exercise*

*enabled precise, defensible redress calculations across tens of millions in exposure — critical for understanding the financial impact of legacy liabilities during strategic planning.*

**Redress in this context is not about reconstructing a perfect past. It is about evidencing the most reasonable and fair alternative outcome based on what can be proven.**



# Redress at scale

Redress work often begins with a small number of cases but in a portfolio review or consolidation, patterns quickly emerge. Legacy errors, systemic mis-selling, or flawed calculations in the back book can scale into significant redress events with material impact on valuation, operational resources and regulatory exposure.

Mass redress is not defined by volume alone. Its impact is measured by:

- The potential cost of compensation
- Operational and resource requirements to calculate and deliver redress
- Exposure to scrutiny from regulators, auditors or customers
- Reputational consequences for the acquiring firm

# Case study

## Challenging a FOS judgment

*A client faced a final Financial Ombudsman Service (FOS) judgement and needed redress to be calculated. The initial methodology did not fairly account for past payments or interest. The team identified the flaws, advised the client to challenge the approach, and proposed a revised calculation. The result produced a significantly lower redress amount while remaining defensible under scrutiny. For an acquirer, understanding these nuances before or after completing a transaction ensures legacy issues do not create unexpected financial or operational risk.*

**Rushing into a remediation programme without a robust, defensible methodology multiplies risk, cost and reputational damage. The most successful consolidators treat redress methodology as a strategic component of M&A due diligence, not merely as administrative execution.**



# Fairness as a method

**Once redress issues are identified, the question is not simply “how much should we pay?”. It is “what position would the customer reasonably have been in if the issue had not occurred?”. That calculation must be consistent, auditable and aligned to regulatory principles.**

In M&A or consolidation scenarios, this often requires challenging assumptions that are taken for granted. Common industry formulas or FOS guidance may not reflect the specifics of a legacy portfolio or transferred products. Applying such formulas blindly can overstate or understate liabilities.

Fairness is not “what we’ve always done”. It is the methodology that most accurately restores the customer’s position, while providing acquirers with clear, defensible insight into risk.

Firms can often feel pressure to act quickly, particularly during mergers or portfolio integrations. Boards want certainty, regulators expect clarity and operational timelines are tight.

But moving before methodology is fully defined creates programmes that must be rebuilt at great cost and disruption.

The fastest programmes are those that start right with a defensible methodology, structured calculations and independent oversight. This is especially critical when integrating multiple legacy portfolios with different practices.



**For consolidators, acquirers and financial services firms, redress doesn’t have to be a source of uncertainty or unexpected cost. Our services are designed to provide clarity, control and defensible outcomes across all stages of acquisition, portfolio review or remediation programmes.**



# Our solutions:

## Turning redress challenges into manageable risk

### ▶ **Legacy liability assessment:**

Identify potential redress obligations in back books or acquired portfolios using sampling, actuarial modelling and expert analysis.

### ▶ **Redress calculation and modelling:**

Build precise, auditable calculators for complex products such as mortgages, pensions or equity release, ensuring accuracy to the penny and defensibility under regulatory scrutiny.

### ▶ **Methodology review and challenge:**

Evaluate existing redress formulas or regulatory guidance to identify flaws, under-compensation or over-compensation and design fair, defensible approaches.

### ▶ **Portfolio due diligence for M&A:**

Quantify redress risk prior to acquisition, highlighting exposures and data gaps to inform deal.

### ▶ **Regulatory and ombudsman liaison support:**

Prepare defensible calculations, reports, and proposals to present to the regulator, auditors or FOS, mitigating financial and reputational risk.

### ▶ **End-to-end redress programme management:**

Manage large-scale remediation programmes, including strategy, methodology, calculation, communication and governance, ensuring consistency and scalability.

## A strategic advantage

Redress is a critical part of managing legacy risk and protecting the value of your acquisitions. Our team combines technical expertise, independence and experience across complex products and regulatory scenarios to help you navigate redress confidently.

**Get in touch today to discuss how we can help quantify, manage and resolve redress obligations by turning uncertainty into actionable insight for your M&A or consolidation strategy.**



## Contact us today

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