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The Hidden Risk in M&A: Why Unclaimed Property Can't Be Ignored During Due Diligence

As M&A activity accelerates in 2025, dealmakers face a complex environment shaped by expiring tax reforms, fluctuating interest rates, and global trade uncertainty. Amid the financial modeling and strategic negotiations, one often overlooked issue deserves greater attention: **unclaimed property**. Though not typically top of mind, failing to address unclaimed property can leave acquirers with historical liabilities stretching back years – impacting finance, tax, legal, and operations.

Why It Matters in M&A

The structure of a deal plays a pivotal role in determining risk exposure. In **stock deals**, unclaimed property liabilities typically transfer to the buyer. In **asset deals**, they may remain with the seller—but exceptions are common. Without careful review of the **purchase agreement** and **tax matters agreement**, assumptions about who bears responsibility can prove costly.

While a comprehensive unclaimed property review may not be feasible during due diligence, buyers can still mitigate risk by asking the right questions:

- Does the target have a history of unclaimed property compliance?
- Are there aged credits or unapplied cash balances in accounts receivable?
- Do bank reconciliations show large volumes of outstanding checks?
- Are there formal stop/void check policies in place?

If red flags emerge, buyers should explore **escrows, indemnities, or purchase price adjustments** to account for potential liability and manage their exposure.

After the Deal: Act Early

If unclaimed property wasn't fully assessed pre-close, it should be prioritized early in post-deal integration—while legacy systems, data, and personnel are still accessible.

Bottom Line

Unclaimed property may not make headlines in a deal, but it can quietly erode deal value. Savvy acquirers know that asking the right questions —and knowing where to look—can be the difference between a smooth close and an unexpected liability.

Let's Talk. In M&A, don't let unclaimed property be the risk you didn't see coming.

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