

Monthly Credit Risk Insights by Alares

Hi Colleague,

Wishing you a healthy and prosperous new year.

As we start the new year we take a quick look back at 2025 to see what trends are taking heading into 2026.

Key highlights in December

- Significant year-on-year increase in insolvencies after drop in November.
- Substantial increase is ATO disclosure of business tax debt reporting.
- Non-bank lenders continue to ramp up Court recoveries, offsetting an ongoing reduction by the big four banks.

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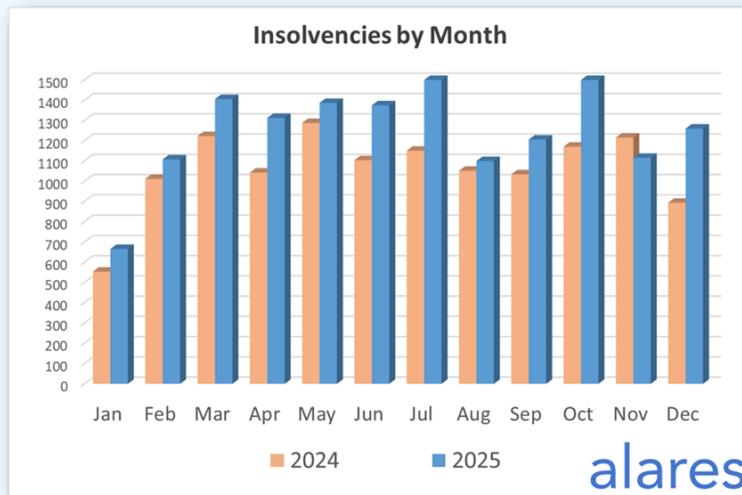
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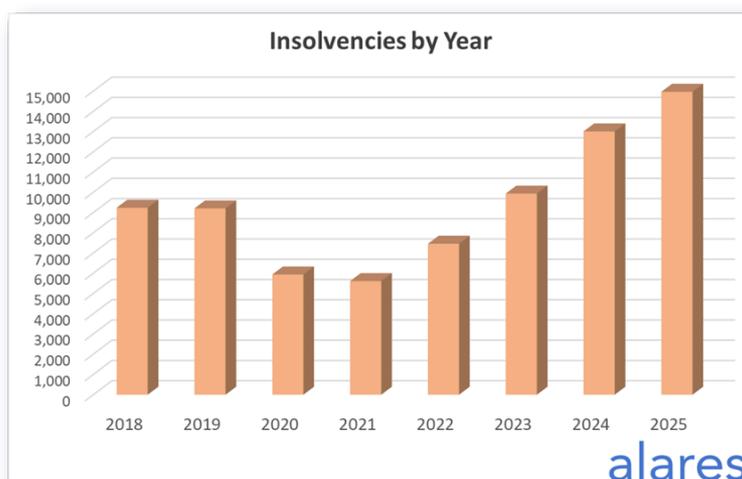
Insolvencies increased in December after the drop in November

November marked the first month where 2025 numbers were lower than 2024. This suggested a potential inflection point moving forward, however the year-on-year decrease was short lived as December numbers again increased on 2024.



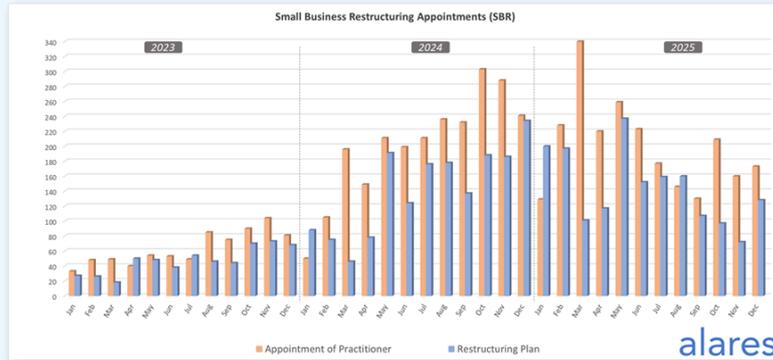
On a yearly basis insolvencies show a consistent linear increase since the COVID years

We expect these numbers to plateau at some point in time, however exactly when remains the key question.



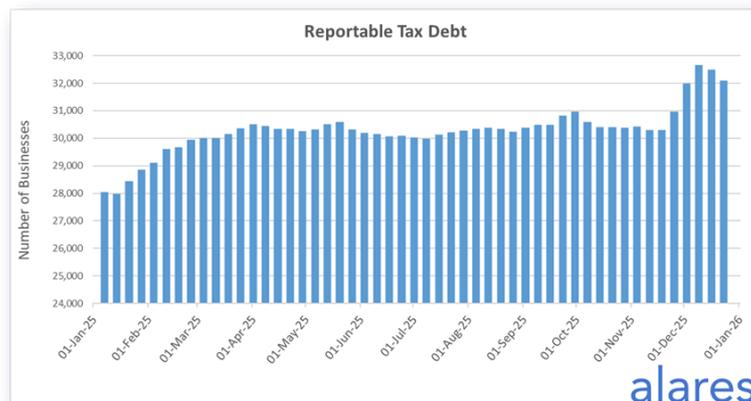
SBR appointments remain steady, but still well below the peaks from late 2024 and early 2025

New SBR appointments have plateaued after a sharp drop in the middle of 2025 as the ATO applied increased scrutiny to SBR applications.



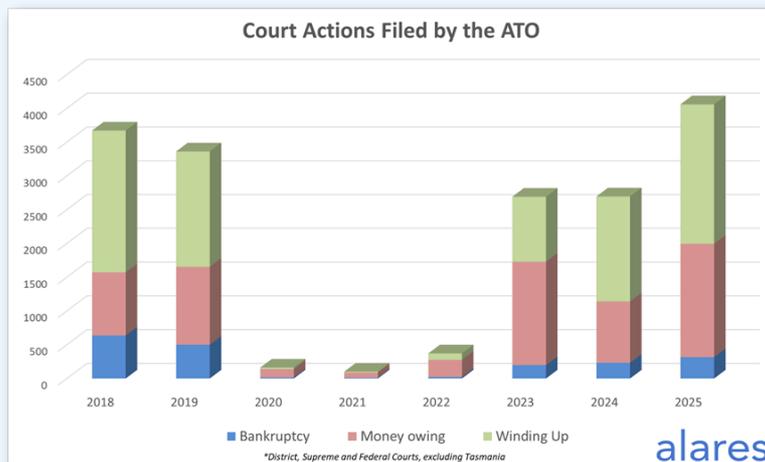
The ATO has significantly increased its disclosure of business tax debt reporting

Overall numbers spiked from ~30,000 businesses for most of 2025 to well over 32,000 businesses.



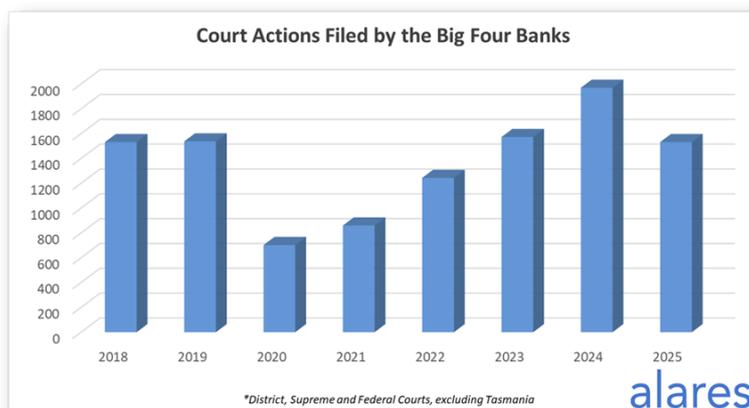
Similarly, the ATO's Court recoveries continue to track well above historical levels

While personal bankruptcy sequestrations remain muted, direct ATO Court action against companies and individuals continues to rise.



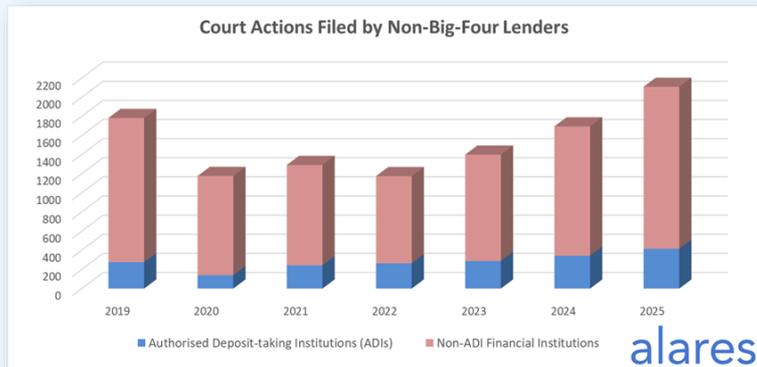
Meanwhile the big four banks continue to ease off on their Court recoveries

Again, this likely reflects more prudent lending from the big-four with increased focus on residential mortgage lending and blue-chip borrowers.



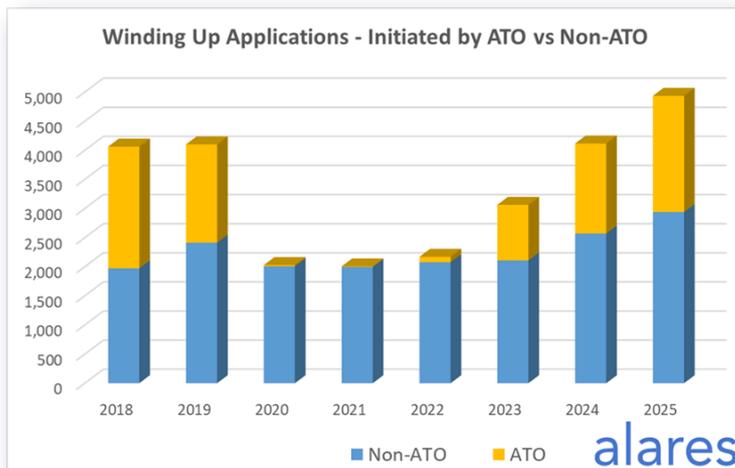
However, the non-bank lenders continue to trend in the opposite direction with increased Court recoveries

This suggests ongoing stress among borrowers from second, third and fourth-tier lenders.



Similar to insolvencies, winding up applications have shown a sharp linear increase since the COVID years

Both ATO-initiated and non ATO-initiated winding up applications are currently showing no signs of relief. How long can they keep rising? Stay tuned to find out.



Alares provides critical due diligence data that is **NOT** captured in credit reports.

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