

# Monthly Credit Risk Insights by Alares

Hi Colleague,

Insolvencies remained historically high in February, more than 50% above pre-COVID levels, and higher again than February last year. Is this now the new normal, or will insolvencies trend back to historical levels once the "catch up" has played out?

## Key highlights in Feb

- Insolvencies are still 50% above historical levels.
- The ATO remains the key driver as Court recoveries and disclosure of business tax debts continue to increase.
- Most major risk factors remain higher on a year-on-year basis.

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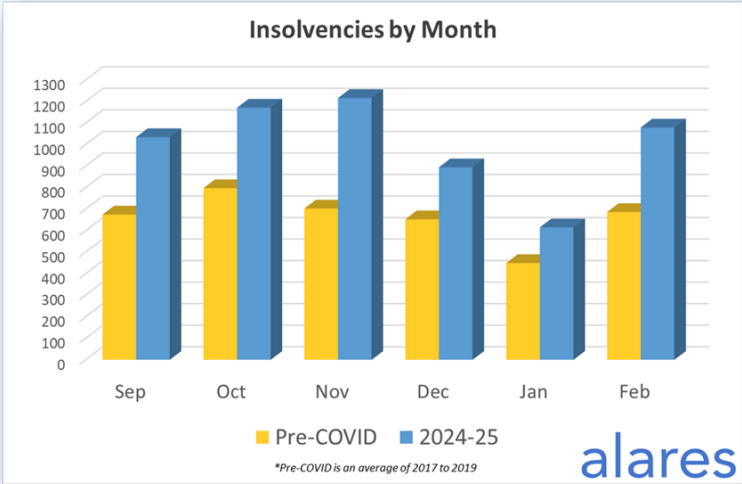
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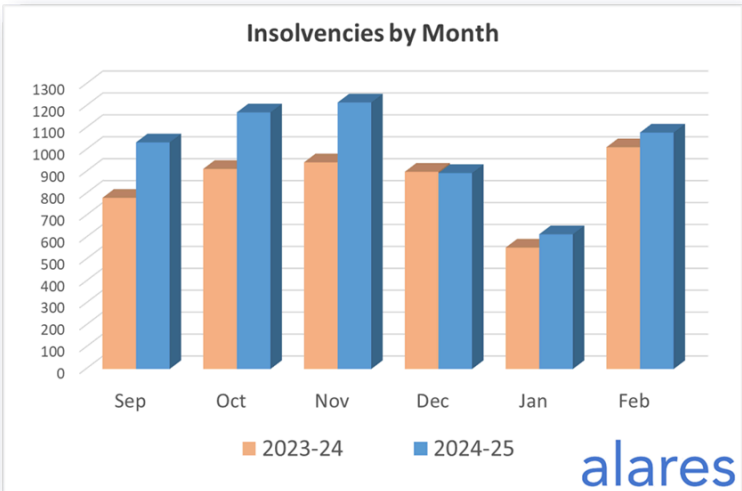
## Insolvencies remain well above historical levels

2025 continues where 2024 left off, with insolvencies still significantly higher than pre-pandemic.



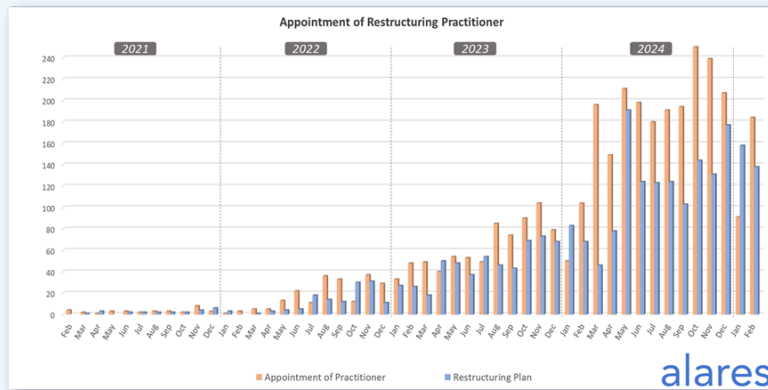
## February insolvencies remained slightly up on last year

In 2024 we saw record high insolvencies. So far in 2025 we have seen a slight increase again on 2024 numbers. This is not entirely unexpected as the insolvency "catch up" continues to shake out, however the questions remain if and when we will see a return to normal?



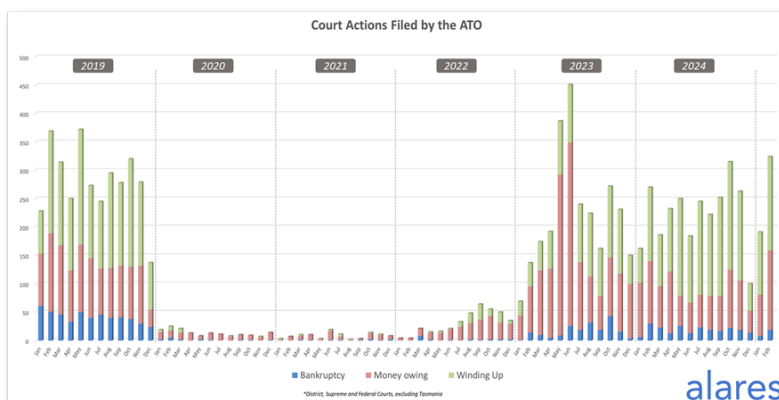
## Small business restructuring (SBR) bounced back from the January low, in-line with insolvencies more generally

Last year in March we saw the first major uptick in SBR appointments. Next month's numbers will be a key point of comparison to see where SBRs may trend moving forward.



## The ATO remains the dominant driver of insolvencies with a continued year-on-year increase in Court recoveries

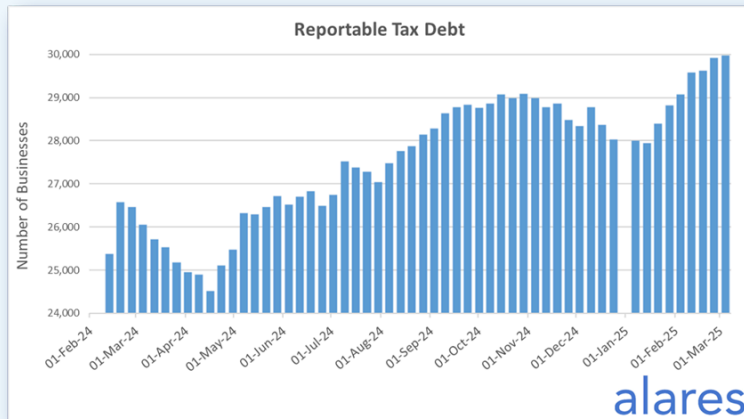
So far the ATO is showing no signs of reprieve as outstanding debt collection activities continue in full swing.



## Similarly, the ATO's disclosure of business tax debts continues to increase

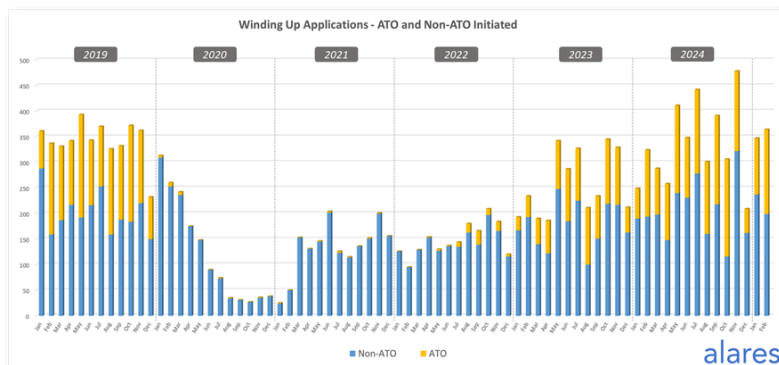
Approximately 30,000 businesses are now subject to outstanding tax debt reporting - more

than \$100,000 owing for more than 90days with no meaningful engagement with the ATO.



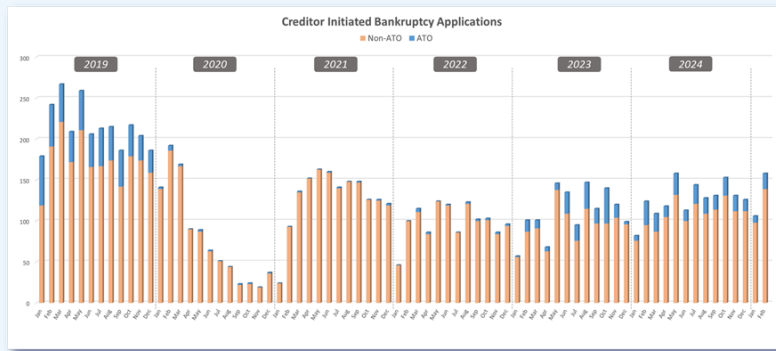
### Winding up applications also continue to trend up on a year-on-year basis

Both ATO initiated and non-ATO initiated winding up applications continue to increase.



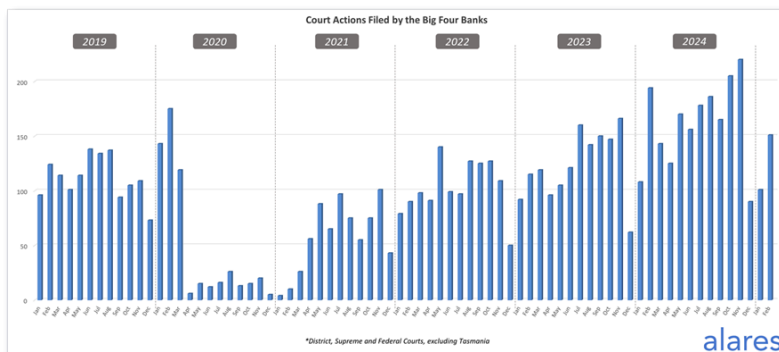
### Similarly, creditor-initiated bankruptcy applications have continued to increase year-on-year

Overall numbers remain low on a historical basis, but are slowly trending back upwards after a prolonged drop.



## The big four banks were the only major risk indicator that showed a year-on-year decline in February

Big four bank Court recoveries remain historically high, and we will see in the coming months if the drop in February was a one-off or the beginning of a broader trend for the major lenders.



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