

Monthly Credit Risk Insights by Alares

Hi Colleague,

Insolvencies remain at historically high levels even though the insolvency catch-up is now well and truly complete. While January numbers were slightly below last year's, February numbers were again higher than last year, despite an ongoing drop in small business restructuring appointments and a continued decline in big four bank Court recoveries.

Key highlights in February

- The ATO remains the elephant in the room, currently showing no signs of slowing down.
- Winding up applications continue to rise.
- Small business restructuring appointments remain subdued.

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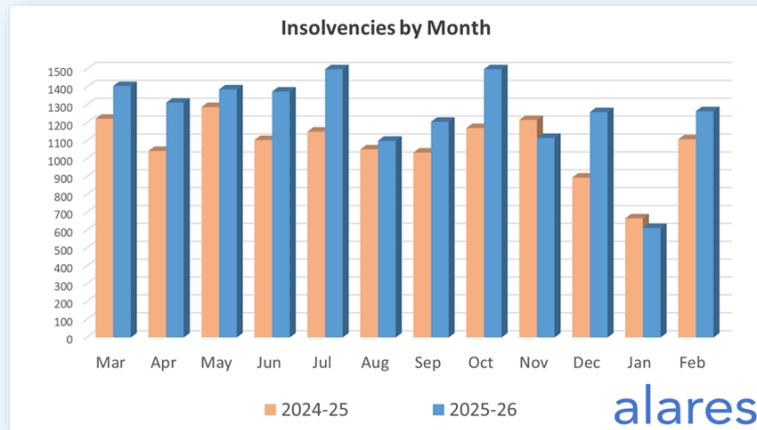
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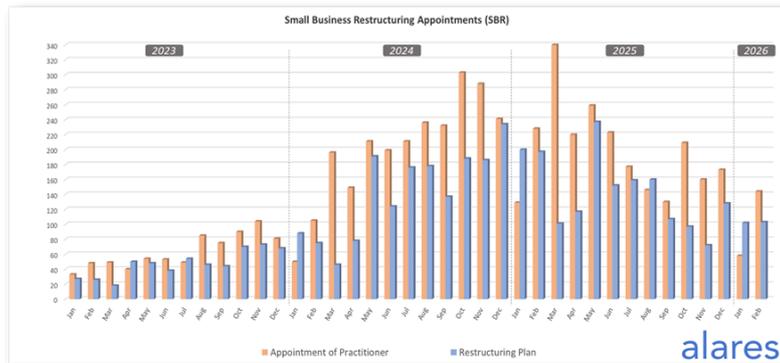
Insolvencies in February exceeded 2025 numbers

While January showed a minor drop from last year, February showed another increase. So far in 2026, we are yet to see any clear decline in insolvencies now that the COVID catch-up is complete.



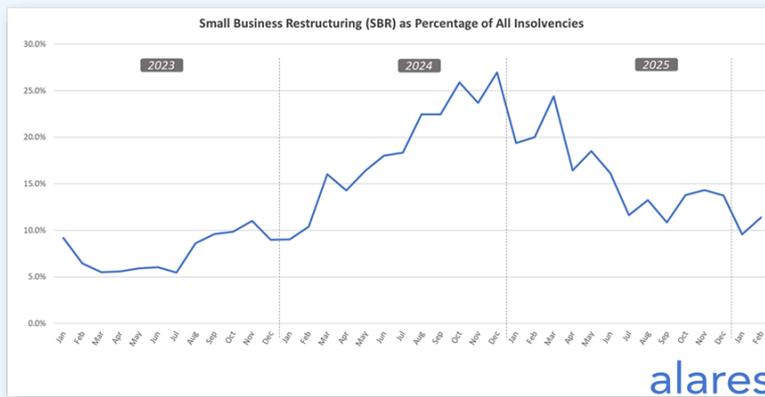
New SBR appointments continue to trend downwards

Increased scrutiny from the ATO has very much subdued what in some circles was once viewed as a quick fix for small business tax debts.



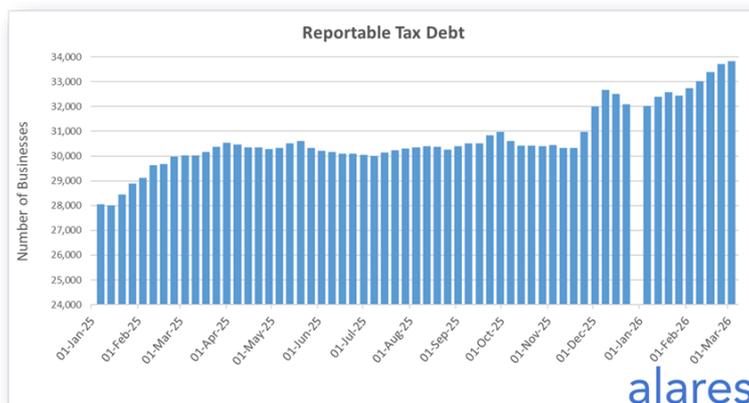
SBRs now account for only ~ 10% of all new appointments

This is well down from the 2024/25 peak when SBRs accounted for approximately ~25% of all new insolvency appointments.



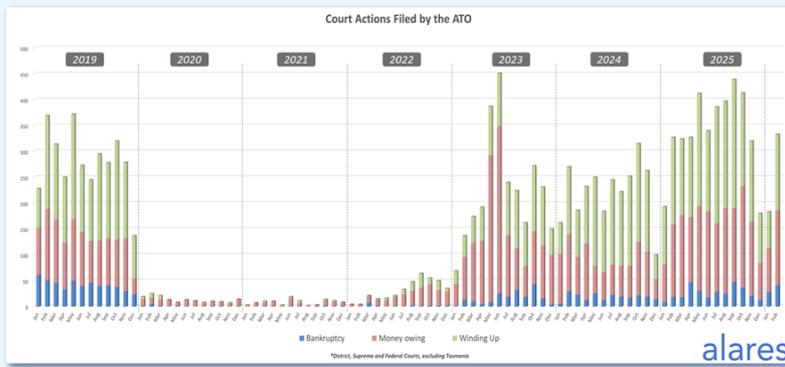
The ATO continues to flex its muscles, with an ongoing ramp-up of disclosure of business tax debt reporting

February saw further increases in the ATO's business tax debt disclosures, with almost 34,000 businesses now subject to ATO reporting.



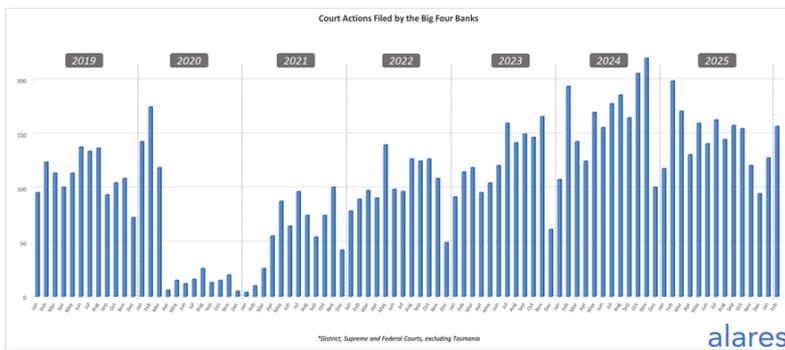
Similarly, the ATO's Court recoveries continue at pace

We are yet to see any slowdown in the ATO's Court activity as they continue to pull all available levers on what remains a historically high outstanding debt book.



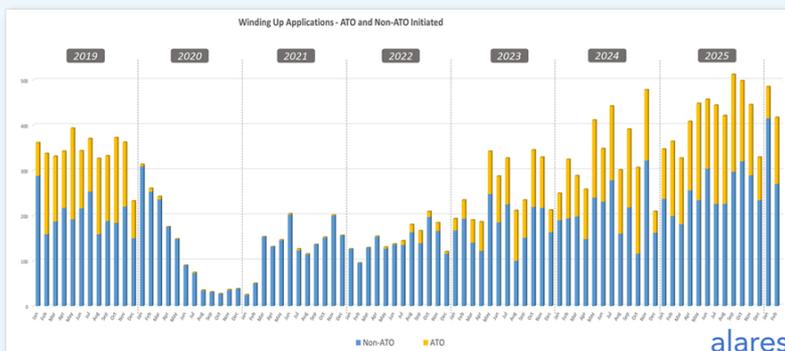
Court recoveries from the big four banks continue their general downward trajectory

This continues to follow the prevailing trend throughout 2025.



Meanwhile, winding up applications continue to trend higher

The non-ATO initiated applications, in particular, continue to trend higher as credit providers increasingly seek to enforce on outstanding debts.



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