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Monthly Credit Risk Insights by Alares

Hi Colleague,

September effectively saw the completion of the **insolvency catch up** - the usual number of insolvencies that didn't occur during COVID have now been caught up.

What happens next? Will numbers remain high or continue to drop back to historical levels? Stay tuned to find out.

Key highlights in September

- Insolvencies increased slightly from August, but still well below the July peak.
- Small business restructuring (SBR) appointments continue to drop amid increased scrutiny from the ATO.
- Winding up applications and personal bankruptcy sequestrations continue to rise.

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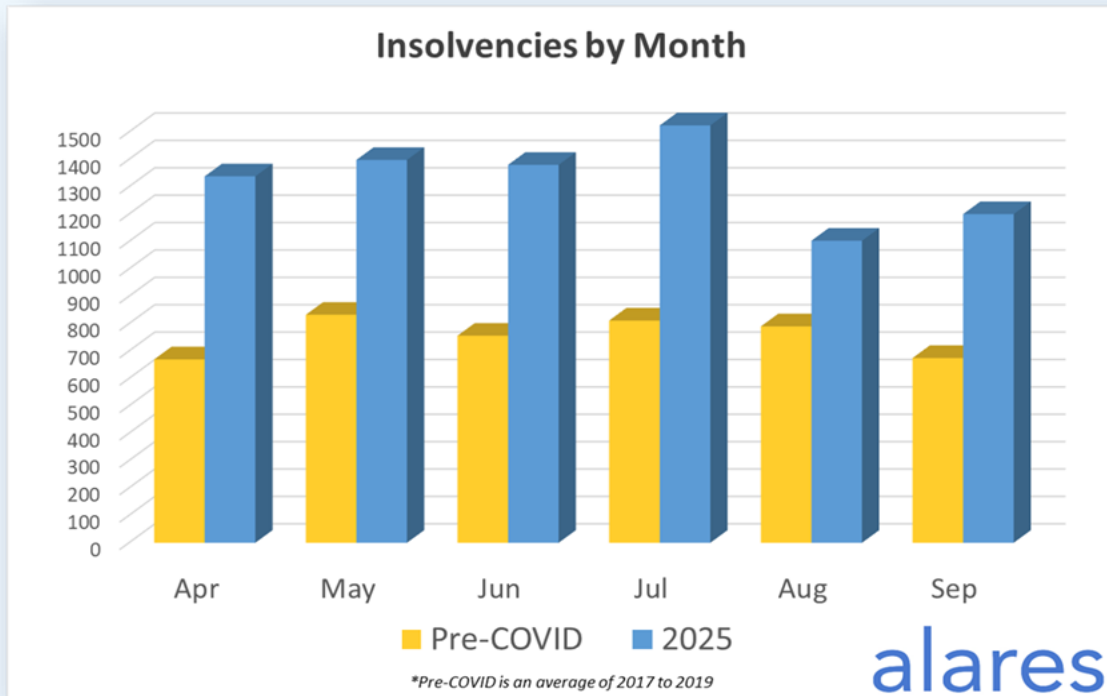
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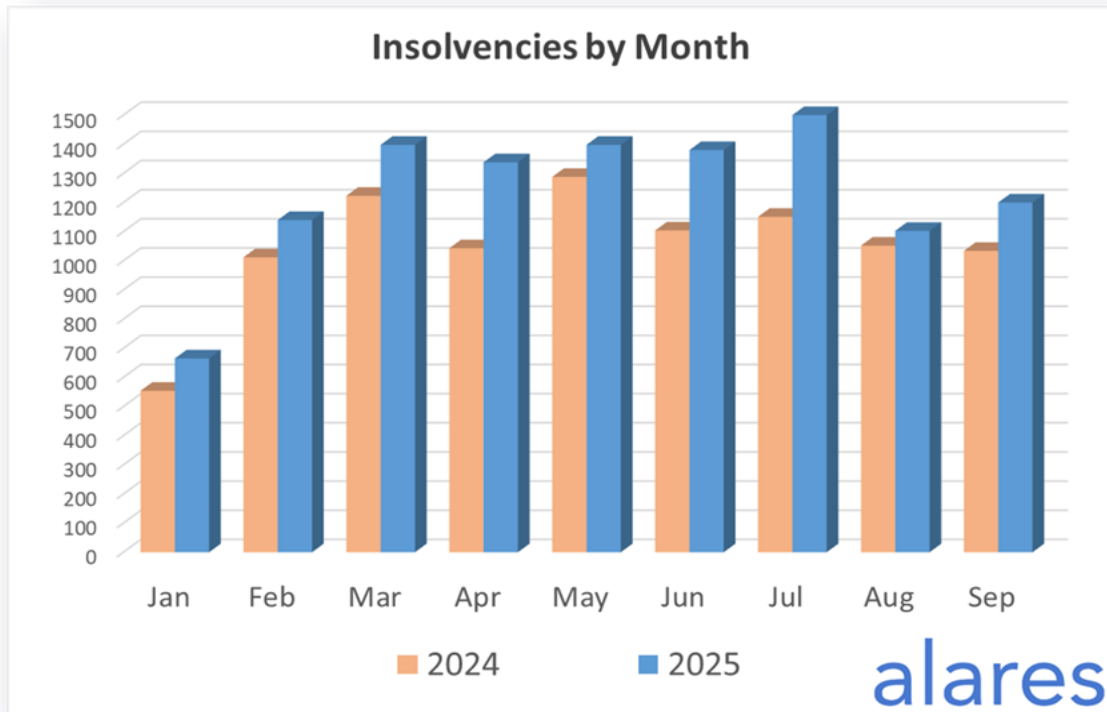
Insolvencies increased slightly in September

September saw insolvency numbers well below the record high in July, but also well above historical levels. October should give some good insight in terms of which direction this trend will take.



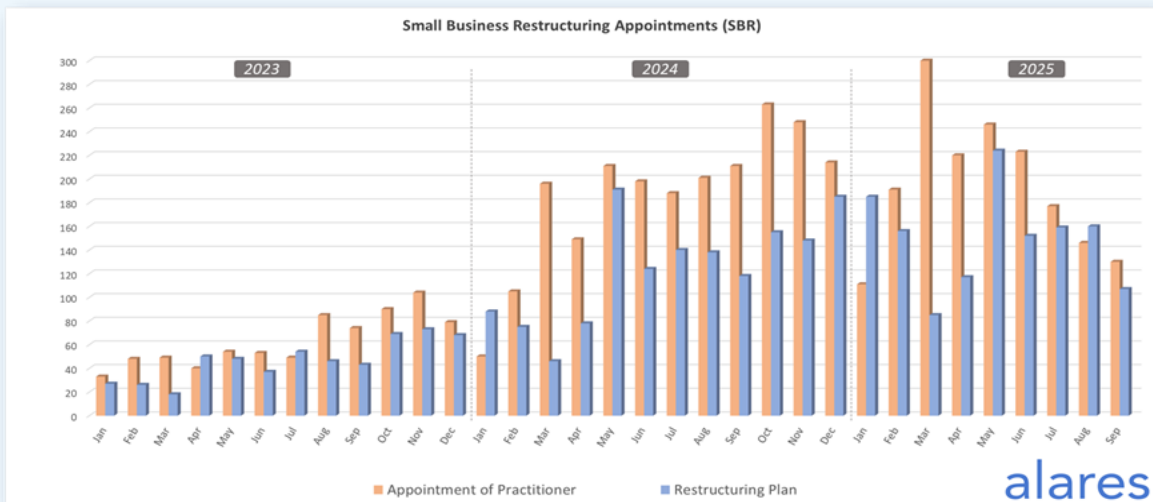
2025 numbers continue to track slightly above the previous highs from 2024

September remained marginally above 2024 on a month-on-month basis, continuing a consistent trend throughout 2025.



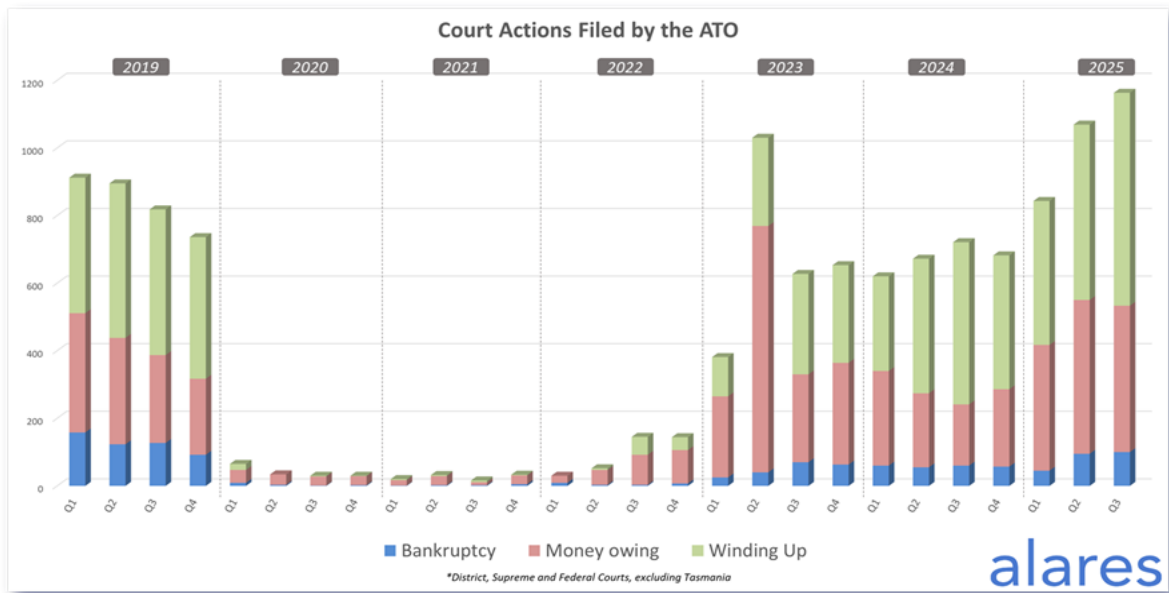
Small business restructuring (SBR) appointments continue to drop

SBR appointments continued to drop in September. Increased scrutiny from the ATO has resulted in both fewer SBR appointments and a reduced plan conversion rate from nearly 90% to less than 70%.



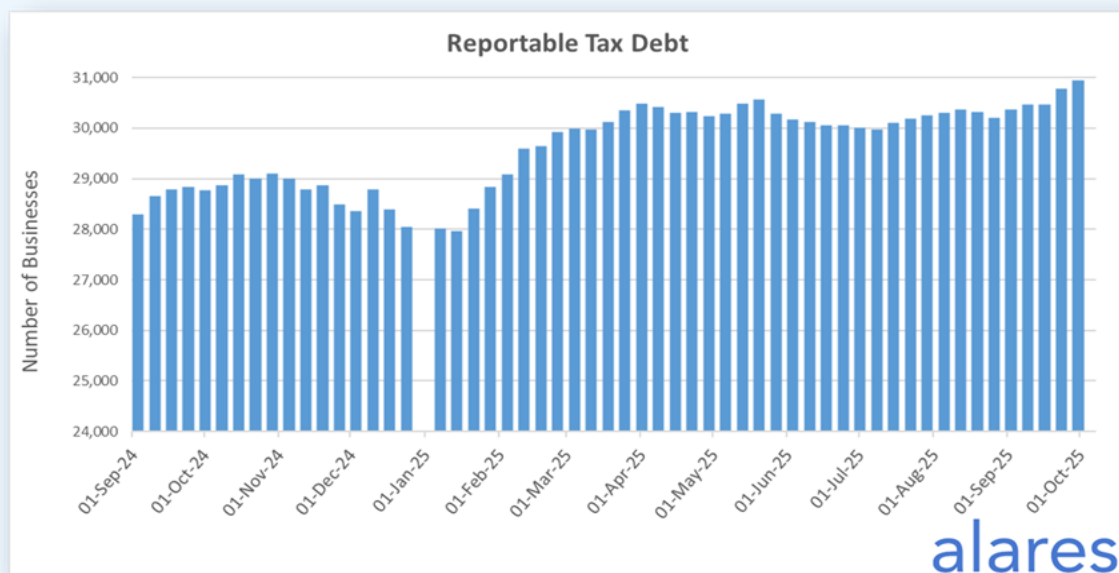
In place of SBRs, the ATO has ramped up its Court recoveries

ATO-initiated winding up applications, in particular, have spiked to record highs in recent months, offsetting the drop in SBR appointments.



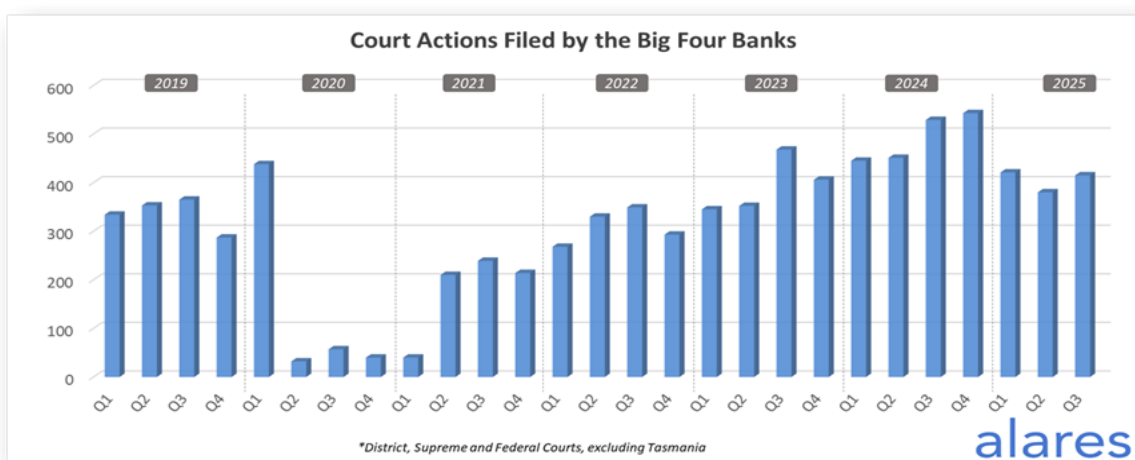
Similarly, the ATO's disclosure of business tax debts ramped up in September

The number of businesses subject to tax debt reporting is now approaching 31,000 as the ATO presses on with collecting outstanding tax debts.



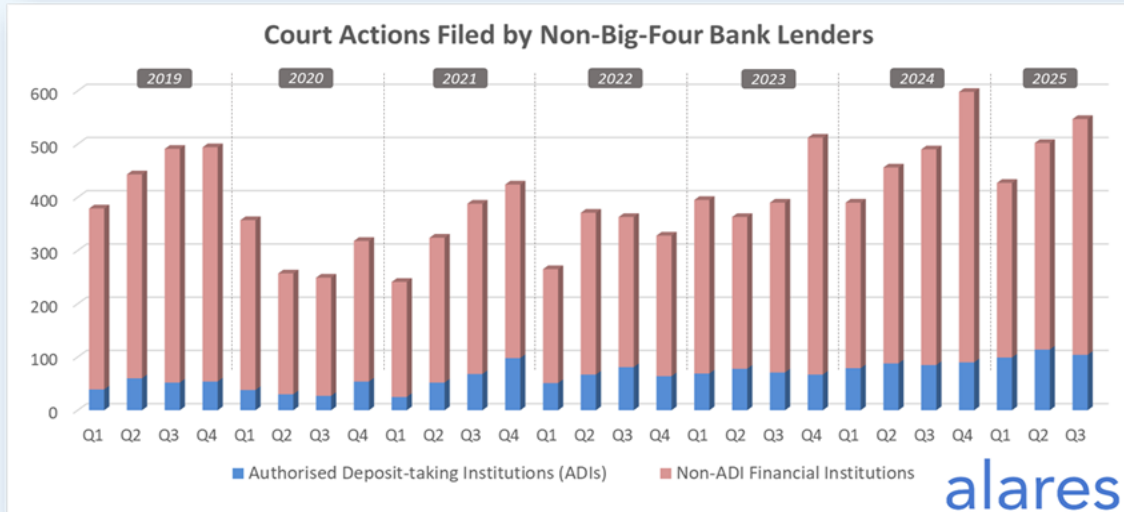
The big four banks on the other hand continue to reduce their Court recoveries on a year-on-year basis

Total Court recoveries from the September quarter were well below the same period last year, although total numbers are still above historical levels.



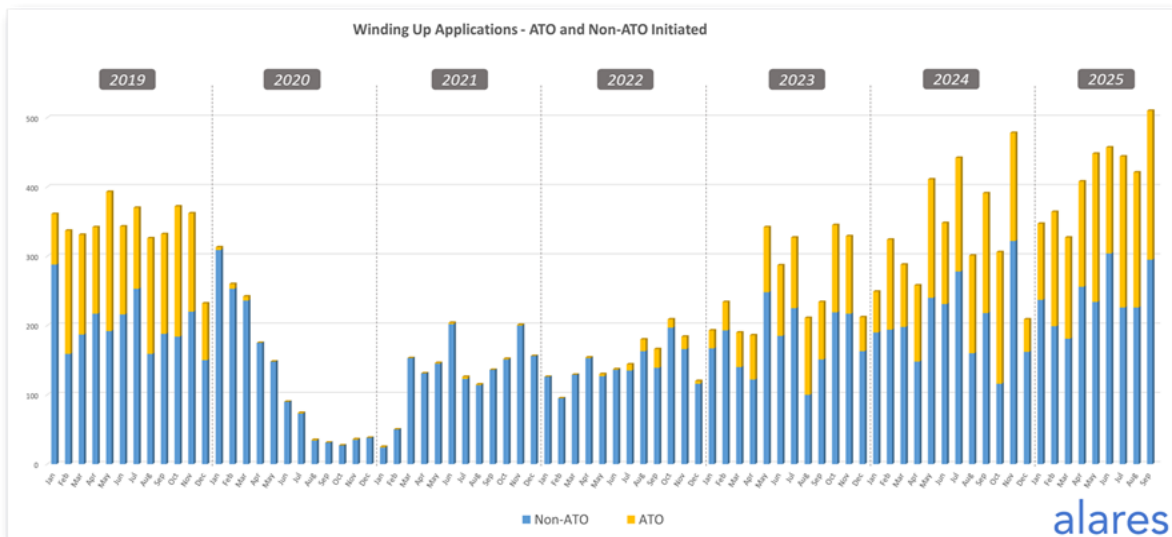
The reduction in Court activity from the big-four banks continues to be offset by the non-bank lenders

This could again be indicative of higher-risk borrowers increasing needing to look outside the big-four for funding.



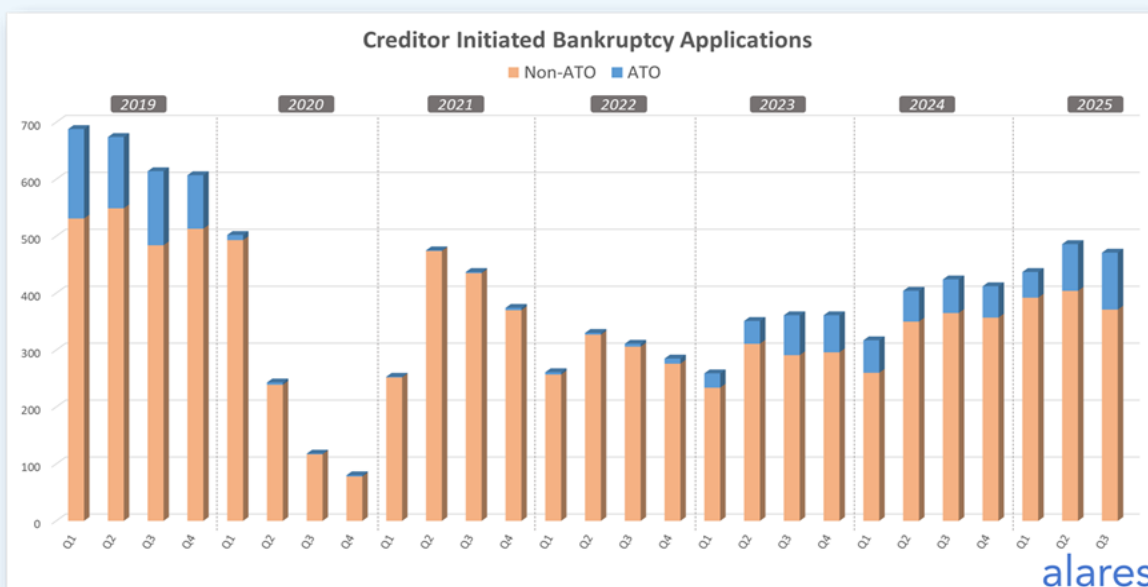
Winding up applications spiked again in September

Both ATO-initiated and non ATO-initiated winding up applications remain at or near all-time highs, potentially foreshadowing some worrying times ahead.



Creditor-initiated bankruptcy sequestrations also remain on the rise

The September quarter saw another significant year-on-year increase in bankruptcy sequestrations.



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