

Monthly Credit Risk Insights by Alares

Hi Colleague,

Peak insolvency appears to be behind us, but numbers remain well above historical levels. For now, this seems to be the new business as usual.

Key highlights in May

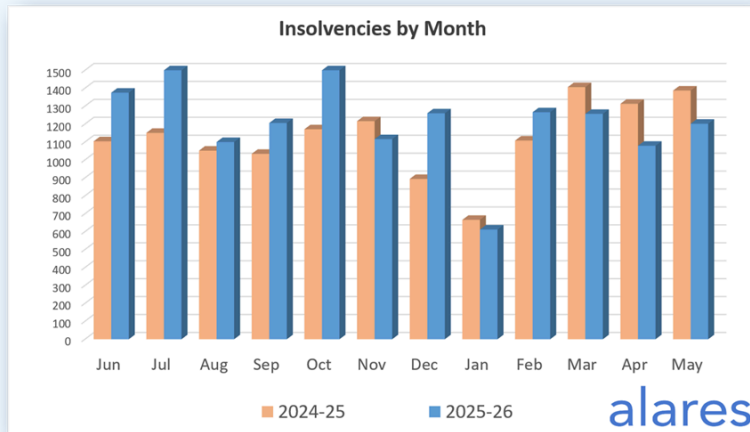
- Insolvencies continue to trend below the highs of 2025, but still significantly higher than prior years.
- Small business restructuring appointments remain muted, accounting for only ~10% of new appointments.
- Personal bankruptcies appear to be on the rise.

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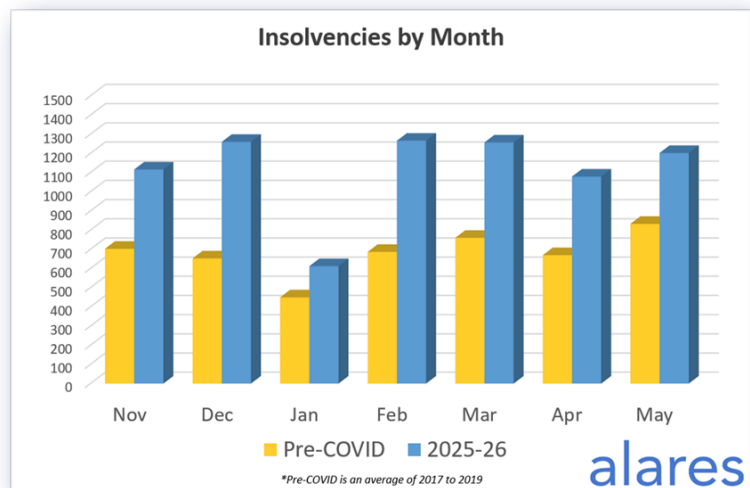
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Insolvencies in May remained slightly below last year's highs



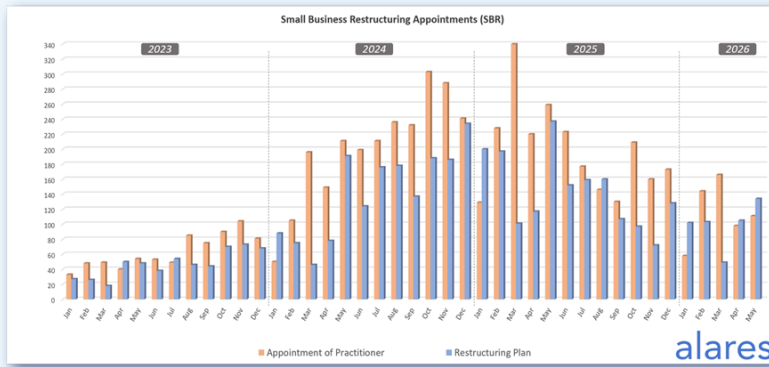
However, overall numbers still remain high

Despite dropping from their absolute peak, insolvencies remain ~50% higher than historical levels.

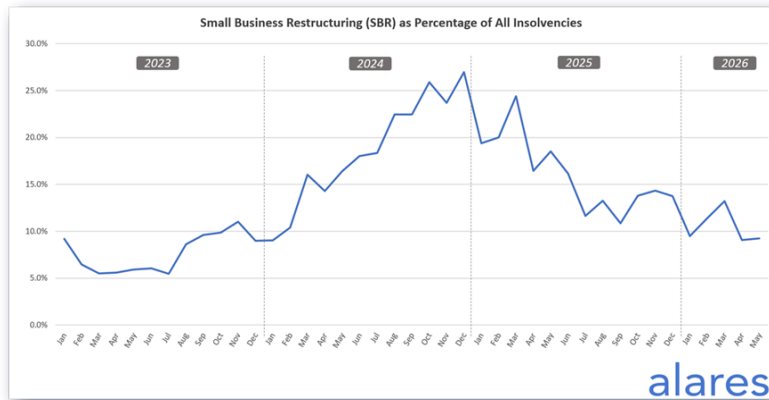


Small business restructuring appointments (SBR) continue to decline

Increased scrutiny from the ATO has resulted both in fewer SBRs, and a lower plan success rate which has dropped from ~90% in the early years to less than 70% in the past 12 months.

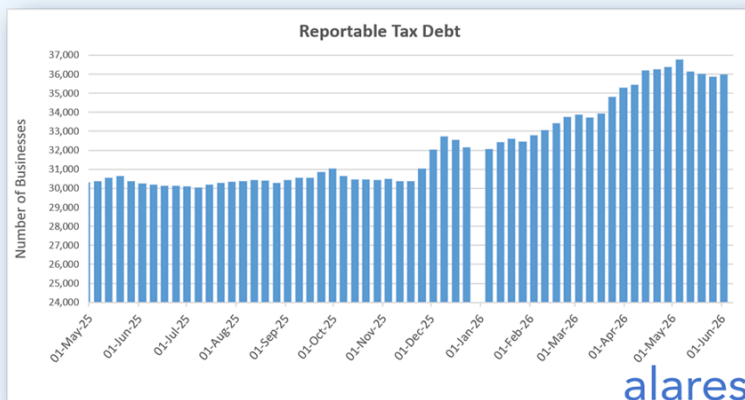


SBRs in May continued to account for less than 10% of new insolvency appointments



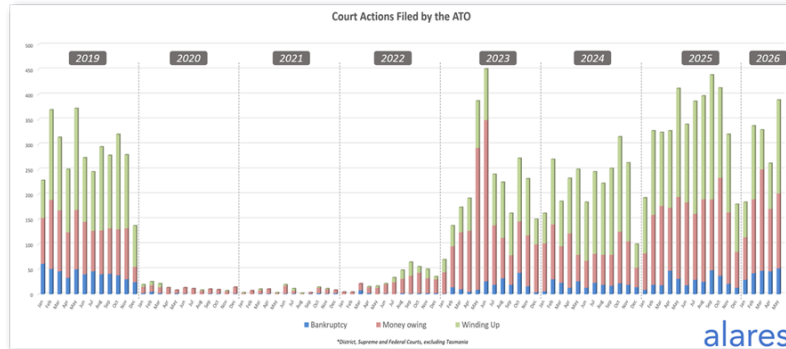
The ATO's disclosure of business tax debt finally stopped climbing

After an unabated rise from January to April, numbers plateaued in May, slightly below the April high. 36,000 ABNs remain subject to ATO reporting for business tax debts above \$100k, more than 90days overdue, and failing to adequately engage with the ATO.



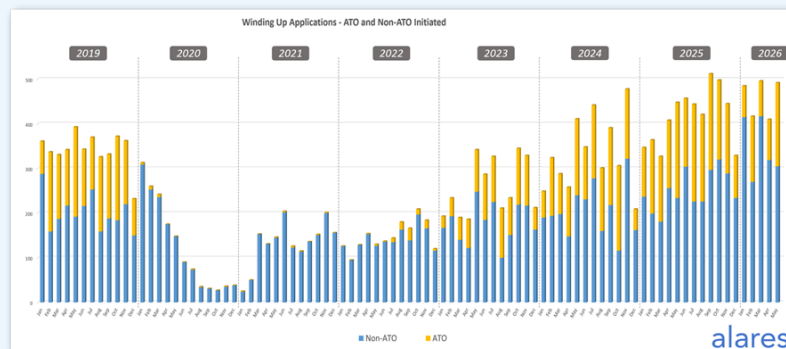
Meanwhile, the ATO's Court recoveries shot up again in May after a drop in April

For now, the drop in ATO Court recoveries in April appears to be an aberration as May numbers returned back towards the highs from 2025.



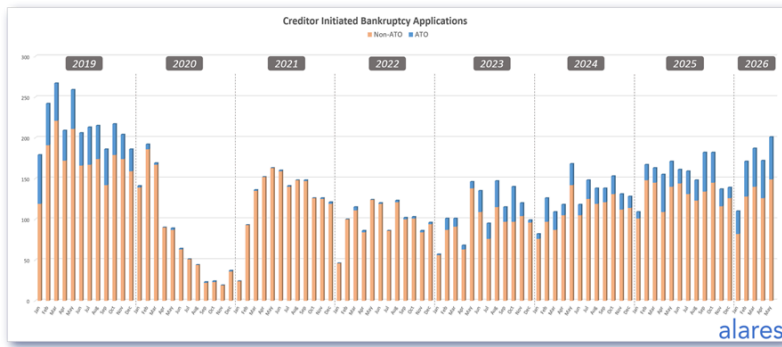
Winding up applications remain historically high

Winding up applications are currently showing no signs of retreat, indicating that businesses continue to face a challenging economic climate.



Personal bankruptcies are also on the rise

Personal bankruptcies are often tied to small business failure, providing another indicator of economic stress.



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

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